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遠東控股國際有限公司

Far East Holdings International Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 36)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Far East Holdings International Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020 (the “Period”) together with comparative figures of the corresponding period in 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended	
		30.6.2020	30.6.2019
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
			(re-presented)
Continuing operations			
Revenue	3	23,468	14,028
Rental operating costs		(191)	(284)
Net rental income		23,277	13,744
Dividend income from held-for-trading investments		–	3,202
Other income		577	380
Other gains and losses, net	4	2,785	(71,961)
Administrative expenses		(3,149)	(3,637)
Finance costs	5	(12,863)	(7,112)
Profit/(loss) before tax		10,627	(65,384)
Income tax expense	6	(512)	–
Profit/(loss) for the period from continuing operations	7	10,115	(65,384)
Discontinued operation			
Profit/(loss) for the period from discontinued operation	8	6,154	(839)
Profit/(loss) for the period		16,269	(66,223)
Other comprehensive income/(loss)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from the translation of foreign operations		(879)	60
Release of exchange translation reserve upon deregistration of a subsidiary		(5,717)	–
Other comprehensive (loss)/income for the period		(6,596)	60
Total comprehensive income/(loss) for the period		9,673	(66,163)

Six months ended	
30.6.2020	30.6.2019
HK\$'000	HK\$'000
(unaudited)	(unaudited)
	(re-presented)

Profit/(loss) for the period attributable to:

Owners of the Company

Profit/(loss) for the period from continuing operations	3,225	(69,256)
Profit/(loss) for the period from discontinued operation	3,138	(428)
	6,363	(69,684)

Non-controlling interests

Profit for the period from continuing operations	6,890	3,872
Profit/(loss) for the period from discontinued operation	3,016	(411)
	9,906	3,461
	16,269	(66,223)

Total comprehensive income/(loss) attributable to:

Owners of the Company

Loss for the period from continuing operations	(2,492)	(69,256)
Profit/(loss) for the period from discontinued operation	2,690	(397)
	198	(69,653)

Non-controlling interests

Profit for the period from continuing operations	6,890	3,872
Profit/(loss) for the period from discontinued operation	2,585	(382)
	9,475	3,490
	9,673	(66,163)

		Six months ended	
		30.6.2020	30.6.2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
			(re-presented)
Earnings/(loss) per share:			
Basic (HK cents)	10		
Continuing operations		0.30	(6.36)
Discontinued operation		0.29	(0.04)
		<u><u> </u></u>	<u><u> </u></u>
Diluted (HK cents)	10		
Continuing operations		0.30	(6.36)
Discontinued operation		0.29	(0.04)
		<u><u> </u></u>	<u><u> </u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
NON-CURRENT ASSETS			
Investment properties	11	1,651,993	1,672,600
Property, plant and equipment	11	20,628	220
		<u>1,672,621</u>	<u>1,672,820</u>
CURRENT ASSETS			
Corporate bond		5,000	5,000
Held-for-trading investments	12	137,519	149,366
Rental and other receivables	13	18,366	23,667
Amount due from a non-controlling interest		1,280	2,680
Amount due from related parties		200	–
Tax recoverable		156	156
Deposits held at a financial institution	12	511	3,434
Bank balances and cash		6,348	33,911
		<u>169,380</u>	<u>218,214</u>
CURRENT LIABILITIES			
Other payables	14	20,044	21,269
Bank borrowing	16	482,399	492,662
Lease liabilities		–	147
Tax payable		1,983	6,646
		<u>504,426</u>	<u>520,724</u>
NET CURRENT LIABILITIES		<u>(335,046)</u>	<u>(302,510)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,337,575</u>	<u>1,370,310</u>
NON-CURRENT LIABILITY			
Promissory note	15	192,200	213,200
NET ASSETS		<u>1,145,375</u>	<u>1,157,110</u>
CAPITAL AND RESERVES			
Share capital	17	632,610	632,610
Reserves		11,767	11,569
Equity attributable to owners of the Company		644,377	644,179
Non-controlling interests		500,998	512,931
TOTAL EQUITY		<u>1,145,375</u>	<u>1,157,110</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company					Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Exchange reserve HK\$'000	Properties revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 January 2020 (audited)	632,610	6,165	3,283	2,121	644,179	512,931	1,157,110
Profit for the period	-	-	-	6,363	6,363	9,906	16,269
Other comprehensive (loss)/income for the period							
Exchange differences arising from the translation of foreign operations	-	(448)	-	-	(448)	(431)	(879)
Release of exchange translation reserve upon deregistration of a subsidiary	-	(5,717)	-	-	(5,717)	-	(5,717)
Total comprehensive (loss)/income for the period	-	(6,165)	-	6,363	198	9,475	9,673
Deregistration of a subsidiary	-	-	-	-	-	(17,721)	(17,721)
Dividend paid to non-controlling interest	-	-	-	-	-	(3,687)	(3,687)
At 30 June 2020 (unaudited)	632,610	-	3,283	8,484	644,377	500,998	1,145,375
At 1 January 2019 (audited)	632,610	6,444	3,283	134,435	776,772	3,050	779,822
(Loss)/profit for the period	-	-	-	(69,684)	(69,684)	3,461	(66,223)
Other comprehensive (loss)/income for the period							
Exchange differences arising from the translation of foreign operations	-	31	-	-	31	29	60
Total comprehensive (loss)/income for the period	-	31	-	(69,684)	(69,653)	3,490	(66,163)
Acquisition of assets through acquisition of a subsidiary	-	-	-	-	-	530,754	530,754
At 30 June 2019 (unaudited)	632,610	6,475	3,283	64,751	707,119	537,294	1,244,413

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

		Six months ended	
		30.6.2020	30.6.2019
	Note	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES		34,449	305,139
INVESTING ACTIVITIES			
Withdrawal of deposits held at financial institutions		3,296	32,062
Acquisition of assets through acquisition of subsidiaries (net of cash and cash equivalents acquired)	19	–	(186,152)
Acquisition of property, plant and equipment		–	(19)
Interest received		373	5
Repayment to non-controlling interests for deregistration of a subsidiary		(17,721)	–
NET CASH USED IN INVESTING ACTIVITIES		(14,052)	(154,104)
FINANCING ACTIVITIES			
Repayment of bank borrowing		(10,263)	–
Dividend paid to non-controlling interests		(3,687)	–
Repayment of promissory note		(21,000)	(146,800)
Interest paid		(12,862)	(4,227)
Capital elements of lease rental paid		(147)	(198)
Interest elements of lease rental paid		(1)	(12)
NET CASH USED IN FINANCING ACTIVITIES		(47,960)	(151,237)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(27,563)	(202)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		33,911	5,415
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		–	24
CASH AND CASH EQUIVALENTS AT 30 JUNE			
Represented by bank balances and cash		6,348	5,237

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

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

The accompanying condensed consolidated financial statements and the comparative figures have been re-presented to reflect the results of the discontinued operation separately (note 8).

The financial information relating to the year ended 31 December 2019 that is included in this announcement as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year 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 Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	Definition of a business
Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of all above new or amended HKFRSs that are effective from 1 January 2020 did not have any material impact on the Group’s accounting policies.

3. SEGMENT INFORMATION

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

Industrial	— manufacturing and sale of garments
Securities investment	— short term securities investment
Property investment	— property investment

(a) Segment revenues and results

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

Six months ended 30 June 2020

	Continuing operations		Discontinued operation	Consolidated
	Securities investment <i>HK\$’000</i>	Property investment <i>HK\$’000</i>	Industrial <i>HK\$’000</i>	<i>HK\$’000</i> (unaudited)
Segment and external revenue	<u>—</u>	<u>23,468</u>	<u>—</u>	<u>23,468</u>
Segment results	<u>(2,944)</u>	<u>15,567</u>	<u>5,045</u>	<u>17,668</u>
Other income				6,294
Unallocated expenses				<u>(8,290)</u>
Profit before tax				<u>15,672</u>

Six months ended 30 June 2019

	Continuing operations		Discontinued operation	Consolidated
	Securities investment <i>HK\$’000</i>	Property investment <i>HK\$’000</i>	Industrial <i>HK\$’000</i> (re-presented)	<i>HK\$’000</i> (unaudited)
Segment and external revenue	<u>—</u>	<u>14,028</u>	<u>2,194</u>	<u>16,222</u>
Segment results	<u>(68,786)</u>	<u>9,479</u>	<u>(839)</u>	<u>(60,146)</u>
Other income				380
Unallocated expenses				<u>(6,457)</u>
Loss before tax				<u>(66,223)</u>

Segment results represent the profit/(loss) from each segment net of selling and distribution costs and administrative expenses directly attributable to each segment without allocation of other 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. Segment result of securities investment segment includes gain or loss from changes in fair value of held-for-trading investments and dividend income from held-for-trading investments and administrative expenses.

(b) Revenue from major products and services

Disaggregation of revenue from contracts with customers

The following analysis of revenue under HKFRS 15 is disaggregated by timing of revenue recognition.

Time of revenue recognition (within the scope of HKFRS 15)	Garment production	
	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
At a point in time — discontinued operation	<u>—</u>	<u>2,194</u>

4. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Fair value loss on held-for-trading investments, net	(2,932)	(71,961)
Gain arising from deregistration of a subsidiary (note 20)	<u>5,717</u>	<u>—</u>
	<u>2,785</u>	<u>(71,961)</u>
Discontinued operation		
Reversal of impairment loss on amount due from non-controlling interest	<u>5,030</u>	<u>—</u>

5. FINANCE COSTS

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Interest on bank borrowing	7,688	4,227
Interest on promissory note	5,174	2,873
Interest on lease liabilities	1	12
	<u>12,863</u>	<u>7,112</u>

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Current tax:		
Hong Kong Profits Tax	–	–
People's Republic of China (the "PRC") tax	512	–
	<u>512</u>	<u>–</u>
Total tax charge for the period from continuing operations	<u>512</u>	<u>–</u>
Total tax credit for the period from discontinued operation	<u>(1,109)</u>	<u>–</u>

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for both periods.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations is taxed at 8.25%, and profits above HK\$2 million is taxed at 16.5% (2019: 16.5%). The profits of corporations in Hong Kong not qualifying for two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

For the six months ended 30 June 2019, Hong Kong profits tax had not been provided for as the Group had no assessable profit for the Period. Withholding tax \$512,000 was recognised for the six months ended 30 June 2020 regarding to the dividend received from JBB.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's subsidiaries in the PRC is 25%.

7. PROFIT/(LOSS) FOR THE PERIOD

Six months ended	
30.6.2020	30.6.2019
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Profit/(loss) for the period has been arrived at after charging:

Continuing operations

Depreciation of property, plant and equipment	15	126
Depreciation of right-of-use assets	143	215
Directors' remuneration and other staff costs	1,530	1,464
Legal and professional fee	138	1,484

8. 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 the Jiangsu Government and entered into an agreement 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. Pursuant to the agreement, JBB received a compensation of HK\$45,406,000 (equivalent to RMB40,005,000) for the loss of the assets and business, and the compensation were fully received in November 2019 and January 2020.

Upon receiving the notification from the Haimen People's Government, the Board has decided to cease the business of JBB and the garment manufacturing industry business. The sales, results and cash flows of JBB were are follows:

Six months ended	
30.6.2020	30.6.2019
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Discontinued operation

Revenue	–	2,194
Cost of sales	–	(2,405)
Gross profit	–	(211)
Other income	80	168
Other gains, net	5,030	–
Selling and distribution costs	–	(2)
Administrative expenses	(65)	(794)
Profit/(loss) before income tax	5,045	(839)
Income tax credit	1,109	–
Profit/(loss) for the period from discontinued operation	6,154	(839)
Net cash used in operating activities	(156)	(679)
Net cash used in investing activities	(14,295)	–
Net cash used in financing activities	(7,525)	–
Net cash outflows	(21,976)	(679)
Cost of inventories recognised as expenses	–	(2,405)
Depreciation of property, plant and equipment	–	(43)
Staff costs	(61)	(654)

9. DIVIDEND

No dividends was paid, declared or proposed during the Period. The Directors have determined that no dividend will be paid in respect of the Period (2019: Nil).

10. EARNINGS/(LOSS) PER SHARE

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

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(Re-presented)
Profit/(loss) for the period attributable to owners of the Company	6,363	(69,684)
Less: Profit/(loss) for the period from a discontinued operations	3,138	(428)
Profit/(loss) for the period from continuing operations	3,225	(69,256)
Number of shares:		
Weighted average number of ordinary shares for the purposes of earnings/(loss) per share	1,089,118,593	1,089,118,593
Basic earnings/(loss) per share from continuing operations	0.30	(6.36)
Basic earnings/(loss) per share from discontinued operation	0.29	(0.04)

Diluted earnings/(loss) per share equals to basic earnings/(loss) per share, as there was no potential dilutive ordinary shares issued for the six months ended 30 June 2020 and 2019.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

There was no addition of property, plant and equipment during the six months ended 30 June 2020 (2019: HK\$19,000). The Group transferred an investment property to property, plant and equipment for own-used purpose during the period ended 30 June 2020, when the management had changed the use of the property as operating office purpose. At the date of change, the fair value of the property was HK\$20,607,000.

The fair value of the Group's investment properties at 30 June 2020 was determined by the Directors based on the market approach. The fair value of the Group's investment properties as at 31 December 2019 has been arrived at on the basis of a valuation on the market approach carried out as at that date by Messrs. Roma Appraisals Limited ("Roma"), an independent qualified professional surveyor not connected to the Group. Roma is a member of the Hong Kong Institute of Surveyors who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The market approach uses prices and other relevant information generated by market transactions involving comparable properties. No change in fair value of investment properties has been recognised in profit or loss for the six months ended 30 June 2020 (2019: Nil).

The Group's investment properties are classified as Level 3 in the fair value hierarchy as at 30 June 2020 and 31 December 2019. There were no transfers into or out of Level 3 during the Period.

12. HELD-FOR-TRADING INVESTMENTS/DEPOSITS HELD AT A FINANCIAL INSTITUTION

	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
Listed equity securities:		
Hong Kong	137,519	149,366

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

As at 30 June 2020, the Group's five largest held-for-trading investments contributed to approximately 83% of the Group's held-for-trading investments and such investments contributed approximately HK\$9,432,000 fair value gain and set off the fair value loss of held-for-trading investments and recognised in profit or loss for the Period.

As at 30 June 2020, the Group's deposits held at a financial institution were held in securities trading accounts for the purpose of the Group's securities investment operation.

13. RENTAL AND OTHER RECEIVABLES

For rental receivables, the Group does not have any credit period to the lessees (31 December 2019: Nil). The following rental receivables, which are past due within 90 days, but not impaired at the end of the reporting period:

	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
Rental receivables	18,294	–
Prepayments, deposits and other receivables	72	23,667
	18,366	23,667

14. OTHER PAYABLES

	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
Other payables and accruals	20,044	21,269
	20,044	21,269

15. PROMISSORY NOTE

The principal amount of the promissory note is HK\$361,000,000, with 5% interest per annum and to be matured on the third anniversary from the issue date, 1 April 2019. As at 30 June 2020, the balance of the promissory note is HK\$192,200,000 (31 December 2019: HK\$213,200,000).

16. BANK BORROWING

	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
Current		
Bank borrowing (<i>Note</i>)	482,399	492,662

Note: The bank borrowing is secured by an investment property of the Group amounted to HK\$1,510,000,000 (2019: HK\$1,510,000,000) with interest charged at HIBOR + 1.4% per annum. The loan agreements contained a repayment on demand clause giving the bank the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount was classified as “on demand”.

Ignoring the effect of any repayment on demand clause and based on the maturity term bank borrowing are repayable:

	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
Within first year	20,528	20,528
Within second year	20,528	20,528
In the third to fifth years, inclusive	61,582	61,582
Beyond five years	379,761	390,024
	482,399	492,662

17. SHARE CAPITAL

	Number of shares		Share capital	
	30.6.2020	31.12.2019	30.6.2020	31.12.2019
	HK\$'000		HK\$'000	
	(unaudited)	(audited)	(unaudited)	(audited)
Issued and fully paid	1,089,118,593	1,089,118,593	632,610	632,610

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used), as well as the level of fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value as at 30 June 2020 HK\$'000	Fair value as at 31 December 2019 HK\$'000	Fair value hierarchy	Valuation techniques and key inputs
Financial assets				
1. Listed equity securities in Hong Kong classified as held-for-trading investments in the condensed consolidated statement of financial position	137,519	149,366	Level 1	Quoted prices in an active market

There were no transfers between Level 1, 2 and 3 in the current and prior periods.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

The Group is exposed to equity price risk through its investment in listed equity securities classified as held-for-trading investments. During the Period, the decline of share prices in the Hong Kong stock market has resulted in unrealised fair value loss recognised in profit or loss.

19. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY IN THE PRIOR YEAR

On 1 April 2019, the Group completed the acquisition of 51% of the issued share capital of Joy Ease Limited (“Joy Ease”) at the consideration of HK\$552,418,000 which was settled as to HK\$191,418,000 by cash and HK\$361,000,000 by issue of the promissory note. Joy Ease is principally engaged in property investment and it is classified as property investment segment. This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination.

The net assets acquired in the transaction were as follows:

	<i>HK\$'000</i>
Investment property	1,597,500
Other receivables	4,032
Bank balances and cash	5,266
Other payables	(15,568)
Bank borrowings	(508,058)
	1,083,172
Non-controlling interests	(530,754)
Net assets acquired	552,418
Equity interest acquired	51%
Satisfied by:	
Consideration paid	191,418
Promissory note	361,000
	552,418
Net cash outflow arising on acquisition:	
Cash consideration paid	191,418
Bank balances and cash	(5,266)
	186,152

20. DEREGISTRATION OF A SUBSIDIARY

During the six months ended 30 June 2020, the Group deregistered a subsidiary, namely Jiangsu BangBang-Silky Fashion Manufacturer Company Limited. A gain in connection with the deregistration of HK\$5,717,000 was recognised in the condensed consolidated statement of profit or loss, which mainly arise from release of exchange reserve of the same amount from the condensed consolidated statement of changes in equity.

21. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

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

	Six months ended	
	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Short-term benefits	1,272	1,344
Post-employment benefits	—	—
	<u>1,272</u>	<u>1,344</u>

Relationship	Type of transaction	Six months ended	
		30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Director of a subsidiary	Disposal of property, plant and equipment to a director of a subsidiary (<i>note</i>)	<u>200</u>	<u>—</u>

Note: The transaction was made on an arm's length basis.

22. REVIEW OF INTERIM ACCOUNTS

The condensed consolidated interim financial statements are unaudited but have been reviewed by the audit committee of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE RESULTS

For the Period, the Group recorded revenue from continuing operations of approximately HK\$23.5 million (2019: approximately HK\$14.0 million), representing an increase of approximately 67% as compared to the corresponding period in 2019. The Group's profit from continuing operations and discontinued operation attributable to owners of the Company was approximately HK\$6.4 million (2019: loss of approximately HK\$69.7 million). The total comprehensive income from continuing operations and discontinued operation of the Group for the Period was approximately HK\$9.7 million (2019: total comprehensive loss of approximately HK\$66.2 million), which was mainly contributed by rental income of property investment approximately HK\$23.5 million (2019: approximately 14.0 million), off set in part by fair value loss on held-for-trading investments listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") of approximately HK\$2.9 million (2019: approximately HK\$72.0 million). The basic earnings per share from continuing operations for the Period was 0.30 HK cents (2019: loss per share 6.36 HK cents).

BUSINESS REVIEW AND PROSPECTS

Business Review

The Group's core business continues to be in Hong Kong. The principal activities include property investment and investment in securities. During the Period, the Group has deregistrated a discontinued operation regarding the garment manufacturing business in the People's Republic of China ("PRC").

Property Investment

The portfolio of investment properties comprised commercial units located in Hong Kong with a carrying amount of approximately HK\$1,652 million (31 December 2019: approximately HK\$1,673 million) as at 30 June 2020. The Group recorded significant increase in rental income of approximately HK\$9.5 million from approximately HK\$14.0 million in 2019 to approximately HK\$23.5 million for the Period. Such increase resulted from the completion of the acquisition of 51% of the issued share capital of Joy Ease Limited (the "Joy Ease"), a company incorporated in the British Virgin Islands and principally engaged in investment in and holding of a property (the "Property") at the commercial podium (shop) on lower ground floor, upper ground floor, first floor, second floor, third floor, offices and flat roof on fourth floor, and the remaining portions of the external walls of Silver Fortune Plaza, No.1 Wellington Street, Hong Kong in April 2019.

Management will continue to review its portfolio of investment properties and seek for potential acquisition and/or disposal opportunities from time to time.

Investment in Securities

During the Period, the Group has recorded fair value loss on held-for-trading investments of approximately HK\$2.9 million (2019: approximately HK\$72.0 million) attributable to unrealised loss of approximately HK\$2.6 million and realised loss of approximately HK\$0.3 million due to the fluctuation of Hong Kong equity market. No dividend income from held-for-trading investments was recorded for the Period (2019: approximately HK\$3.2 million).

As at 30 June 2020, held-for-trading investments amounted to approximately HK\$137.5 million (31 December 2019: approximately HK\$149.4 million). This value represented an investment portfolio comprising 23 (31 December 2019: 25) equity securities listed in Hong Kong of which 15 (31 December 2019: 18) equity securities are listed on the Main Board of the Stock Exchange, 6 (31 December 2019: 6) equity securities are listed on the GEM of the Stock Exchange and 2 equity securities were delisted from the Stock Exchange (31 December 2019: 1). The Group's held-for-trading investments were represented as follows:

Company Name (Stock Code)	Notes	Number of shares held by the Group at 30 June 2020	Percentage of shareholdings at 30 June 2020* (Note 1) %	Carrying amount at 31 December 2019 HK\$'000	Unrealised fair value gain/(loss) for the Period ended 30 June 2020 HK\$'000	Dividend income for the Period ended 30 June 2020 HK\$'000	Fair value at 30 June 2020 HK\$'000	Percentage of total held-for-trading investments at 30 June 2020* %	Percentage of total assets of the Group at 30 June 2020* %
Evergrande Health Industry Group Limited (708)	2	8,300,000	0.10	64,491	21,663	–	86,154	62.6	4.7
China Information Technology Development Limited (8178)	3	190,000,000	3.31	15,960	(4,180)	–	11,780	8.6	0.6
K. H. Group Holdings Limited (1557)	4	6,000,000	1.50	8,400	(2,940)	–	5,460	4.0	0.3
Eternity Investment Limited (764)	5	35,006,588	0.92	5,286	(35)	–	5,251	3.8	0.3
SuperRobotics Limited (8176)	6	3,430,000	0.68	9,947	(5,076)	–	4,871	3.5	0.3
Others	7			45,282	(12,019)	–	24,003	17.5	1.3
				<u>149,366</u>	<u>(2,587)</u>	<u>–</u>	<u>137,519</u>	<u>100</u>	<u>7.5</u>

* The percentages are subject to rounding error.

Notes:

1. The percentage of shareholdings is calculated with reference to the monthly return of equity issuer on movements in securities for the month ended 30 June 2020 of the issuers publicly available on the website of the Stock Exchange.
2. Evergrande Health Industry Group Limited and its subsidiaries (collectively referred to as the “Evergrande Health Group”) were principally engaged in include “Internet+” community health management, international hospitals, elderly care and rehabilitation in the PRC, as well as the investment in high technology new energy vehicle manufacture.

Pursuant to the Evergrande Health Group’s annual report for the year ended 31 December 2019, the Evergrande Health Group recorded revenue of approximately RMB5,636 million and total comprehensive loss of approximately RMB5,467 million. In 2020, Evergrande Health Group plans to expand its operations into 70 livable wellness areas in the coming 3 years so as to provide services for members of the Evergrande Health Group. Also Evergrande Health Group will strive to become the largest and most powerful new energy automobile group in the world in 3–5 years. At present, the Evergrande Health Group’s new energy vehicle business is progressing steadily in line with our planned goals. The first vehicle type under Hengchi, namely “Hengchi 1”, is expected to debut in 2020. Hengchi’s full range of products will gradually commence mass production from 2021. The construction of production bases in Guangdong and Shanghai will be completed in the second half of 2020, with production to be commenced in 2021. The first phase of planned production capacity for both production bases will be 200,000 vehicles. The Group believes that the expansion of operations will create value to the shareholders of the Evergrande Health Group.

During the Period, the Group has disposed of 1,000,000 shares in the Evergrande Health Group which led to a realised loss of approximately HK\$0.3 million.

3. China Information Technology Development Limited and its subsidiaries (collectively referred to as the “China Information Group”) were principally engaged in software development, system integration and securities investments.

Pursuant to the China Information Group’s annual report for the year ended 31 December 2019, the China Information Group recorded revenue of approximately HK\$64 million and total comprehensive loss of approximately HK\$83 million. The China Information Group has the vision of giving the most suitable data analysis and intelligence systems to their clients, together with the experiences and knowledge they gained through the years, the Group believes that the future prospect of the China Information Group is positive.

There was no acquisition or disposal of the equity interest in the China Information Group during the Period.

4. K.H. Group Holdings Limited and its subsidiaries (collectively referred to as the “K.H. Group”) were principally engaged in provision of foundation services and leasing of machinery in Hong Kong.

Pursuant to the K.H. Group’s annual report for the year ended 31 March 2020, the K.H. Group recorded revenue of approximately HK\$375 million and total comprehensive income of approximately HK\$1 million. The Group believes the operating performance of the K.H. Group will be improved as the K.H. Group will try to explore and identify any suitable investment opportunities in order to broaden their revenue base for maximisation of return to its shareholders.

There was no acquisition or disposal of the equity interest in the K.H. Group during the Period.

5. Eternity Investment Limited and its subsidiaries (collectively referred to as the “Eternity Investment Group”) were principally engaged in sale of financial assets, property investment, money lending, and design and sale of jewelry products.

Pursuant to the Eternity Investment Group’s annual report for the year ended 31 December 2019, the Eternity Investment Group recorded revenue of approximately HK\$199 million and total comprehensive loss of approximately HK\$235 million. Taking into account the Eternity Investment Group will continue to solidify their fundamentals by refining their business operations and developing their existing businesses in a cautious manner, the Group is optimistic about the future prospects of the Eternity Investment Group.

There was no acquisition or disposal of the equity interest in the Eternity Investment Group during the Period.

6. SuperRobotics Limited and its subsidiaries (collectively referred to as the “SuperRobotics Group”) were principally engaged in provision of engineering products and related services and the sales of beauty products and provision of therapy services.

Pursuant to the SuperRobotics Group’s annual report for the year ended 31 December 2019, the SuperRobotics Group recorded revenue of approximately HK\$88 million and total comprehensive loss of approximately HK\$161 million. As the security robotics of the SuperRobotics Group has the potential to become the major replenishment for security systems and expand into civil market for the realization of large-scale expansion, the Group is optimistic about the future prospect of the SuperRobotics Group in the robotics market.

There was no acquisition or disposal of the equity interest in the SuperRobotics Group during the Period.

7. Others comprised 16 listed securities and 2 delisted securities, none of these investments account for more than 0.1% of the total assets of the Group as at 30 June 2020.

Prospects

Looking ahead, it was expected the outbreak of Novel Coronavirus (“COVID-19”) in early 2020 will have adverse impact on the Group’s property investment and securities investment. It was also expected the fair values 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.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2020, the Group had bank balances and cash and deposits held at financial institutions of approximately HK\$6.9 million (31 December 2019: approximately HK\$37.3 million). Fundamentally, the Group's funding policy was to finance the business operations with internally-generated cash, bank borrowing and promissory note. As at 30 June 2020, the Group had approximately HK\$482 million interest-bearing bank borrowing and (31 December 2019: HK\$493 million) and promissory note of approximately HK\$192 million (31 December 2019: HK\$213 million) which is interest bearing at 5% per annum.

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 104.7% as at 30 June 2020 (31 December 2019: 109.6%). The decrease in gearing ratio was mainly attributable to the repayment of the bank borrowing and promissory note during the Period.

Capital Structure

The Group has mainly relied on a combination of operating cash flows, borrowings and equity to finance its operations. As at 30 June 2020, the total number of issued ordinary shares of the Company was 1,089,118,593 shares (31 December 2019: 1,089,118,593).

Exposure to Foreign Exchange Fluctuations

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

Charges Over Assets of the Group

As at 30 June 2020, an investment property of approximately HK\$1,510 million is secured for the Group's bank borrowing approximately HK\$482 million (31 December 2019: HK\$493 million).

Contingent Liabilities

As at 30 June 2020, the Company had no contingent liabilities (31 December 2019: Nil).

Capital Commitment

As at 30 June 2020, the Group had no significant capital commitments (31 December 2019: Nil).

Material Acquisitions and Disposals

During the Period, the Group made no material acquisition or disposal (2019: Acquired 51% of the issued share capital of Joy Ease Limited at a consideration of approximately HK\$552 million).

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 People's Republic of China (the "PRC"), upon receiving the notification from the Jiangsu Government, Jiangsu BangBang-Silky Fashion Manufacturer Company Limited ("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. During the Period, the Company had completed the deregistration of JBB in the PRC.

Employees and Remuneration Policy

As at 30 June 2020, the Group had approximately 8 employees in Hong Kong (31 December 2019: 11 employees in Hong Kong and the PRC). The Group offers its employees competitive remuneration packages based on industry practices and performance of individual employees. Year-end discretionary bonus may be granted to reward and motivate well-performed employees.

INTERIM DIVIDEND

No dividends were paid, declared or proposed during the Period. The Board have determined that no dividend will be paid in respect of the Period.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR ANY ASSOCIATED CORPORATION

As at 30 June 2020, none of the Directors or chief executive of the Company and their associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO")) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that no shareholder has notified the Company of any interest, direct or indirect, or short position in 5% or more of the issued share capital of the Company.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Period and up to the date of this announcement was the Company, any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTOR

The Company has adopted the Model Code as its code of conduct regarding securities transactions by Directors. The Company has made specific enquiries and all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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 responsibilities of the chief executive officer and the daily operation of the Group's business is handled by the executive Directors collectively. The Board is of the view that although there are 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 vacancy of chief executive officer 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.

DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2019 Annual Report of the Company are set out below:

Name of Director	Details of change
Dr. Wong Yun Kuen <i>Chairman and Executive Director</i>	Appointed as an independent non-executive director of China Graphene Group Limited (stock code: 63) with effect from 12 June 2020.
Mr. Wong Kui Shing, Danny <i>Independent Non-executive Director</i>	Resigned as an executive director of Greater Bay Area Dynamic Growth Holding Limited (stock code: 1189) with effect from 25 August 2020.

AUDIT COMMITTEE

An audit committee was established by the Board with written terms of reference which are consistent with the provisions as set out in the CG Code. The audit committee comprises three 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 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 Group's unaudited interim financial statements for the six months ended 30 June 2020.

By Order of the Board
Far East Holdings International Limited
Wong Yun Kuen
Chairman

Hong Kong, 28 August 2020

As at the date of this announcement, the Board comprises five Directors, of which two are executive Directors, namely, Dr. Wong Yun Kuen (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.