

Directors' Report

Bismillahir Rahmanir Rahim

Distinguished Shareholders,

Assalamu Alaikum

On behalf of the Board of Directors of Fareast Finance & Investment Limited, I feel privileged to welcome you all here today in this 20th Annual General Meeting of the Company and to present the 20th Annual Report inclusive of the audited Financial Statements of the Company for the year ended December 31, 2020 and the Auditor's Report thereon, for consideration and approval of the esteemed shareholders. Thank you all for your presence here today, and for your continued support and encouragement that is crucial to the continued existence and success of our Company.

This report has been prepared in compliance with Section 184 of the Companies Act 1994, BSEC's Notification dated June 03, 2018, the Listing Regulations of Dhaka and Chittagong Stock Exchanges and the guidelines provided by Bangladesh Bank and other regulatory authorities. The Financial Statements were reviewed and approved by the Board of Directors of the Company on September 21, 2022.

Relevant disclosures and explanations relating to certain issues have been given by the Directors, which they consider important to ensure transparency and good governance practices. We believe that it is comprehensive enough to understand the operational procedures and overall performance of the company at a glance during the year under reporting.

Principal Activities of the Company

- Corporate Finance
- SME Finance
- Consumer Finance
- Agriculture Finance
- Syndication Finance
- Housing/Real Estate Finance
- Equity Finance
- Others

Economic Review

World Economy: The global economy recovery is facing significant headwinds amid new waves of COVID-19 infections, commodities price hike, lingering supply -chain challenges and rising inflationary pressures. Despite the robust recovery in 2021- driven by assumed strong consumer spending and some uptake in investment, with trade in goods surpassing pre-pandemic levels, the momentum for growth- especially in China, the United States and the European Union- slowed considerably by the end of 2021. After expanding by 5.5 percent in 2021, the global output is projected to grow by only 4.0 percent in 2022 according to the United Nations World Economic Situation and Prospects (WESP) 2022.

Bangladesh Economy: Before the COVID-19 pandemic, Bangladesh exhibited a steady and high GDP growth, averaging 7.4 percent per year during FY 2015-2016 to FY 2018-2019 and reached a record 8.15 percent growth rate in FY 2018-2019. The global economy however came to a standstill due to the COVID-19 pandemic which has also had a huge negative impact on the economy of Bangladesh. Due to the impact of pandemic in Bangladesh real GDP growth rate declined to 3.45 percent (after recent rebasing from FY 06 to FY 16 by BBS) in FY 2019-2020 from a growth of 8.15 percent in FY 2018-2019. However, Bangladesh made a recovery in FY 2020-2021 and the annual GDP growth rose to 5.47 percent (BBS provisional estimate) GDP growth stood at 6.94 percent at the end of December 2021.

Inflation Rate: In FY 2019-2020, the inflation rate stood at 5.65 percent, which is slightly higher than the target (5.50%). In this case, food inflation increased to 5.60 percent and non-food inflation stood at 5.85 percent. Despite the stagnation in the economy due to Coronavirus, inflation in FY-2020-2021 is slightly high (5.56%) than the target (5.4%) as a result of interruption in food production and supply chains. Inflation rate increased at the end of December 2021 and stood at 6.05 percent.

Capital Market Activities: In DSE total number of listed securities has increased from 589 in June 2020 to 609 in June 2021. Total Market Capitalization of all listed securities was Tk. 3119.7 billion in June 2020, which stands at Tk. 5142.8 billion in June 2021, representing 64.85 percent increase. DSE Board Index increased from 3,989.09 points in June 2020 to 6150.48 points in June 2021, representing 54.18 percent increase. At the end of June 2021, the total number of listed securities in Chattogram stock Exchange is 348. Towards the end of June 2021, market Capitalization of CSE was Tk. 4183.7 billion which was increased 79 percent from the last fiscal year. CSE All Share Price Index was 17,795 points at the end of June 2021 which was 11,332.59 points in the end of June 2020.

Money Market Scenario: Due to BB's expansionary and accommodative monetary policy stance, board money (M2) growth accelerated in FY 21 to 13.61 percent from 12.66 percent in FY 20 but remained slightly short from the monetary policy of 15.0 percent for the year FY 21. Net foreign assets increased by 27.45 percent in FY 21 against programmed growth of 20.10 percent mainly due to record level of foreign exchange reserve of USD 46.4 billion.

Industry Outlook: In Bangladesh, Non-Banking Financial Institutions (NBFIs) are constituted under the Financial Institutions Act, 1993. At present 35 licensed non-bank financial institutions (NBFIs) are functioning in the country. Out of 35 NBFIs, 3 are Government owned, 13 are joint venture and the rest 19 are locally private owned. Total 23 numbers of NBFIs are listed with stock exchanges. The year 2020 was unpleasant for the non-banking financial institutions industry. The NBFIs are mainly dependent on banks and customer deposits for their funds. Confidence in financial sector was almost totally missing and people rushing often daily to withdraw their deposited money. Consequently in 2020 the NBFIs sector in Bangladesh went through prolonged financial crisis. The NBFIs sector started facing problems since the middle of 2017 when the banking sector felt the pinch of liquidity crisis. At the end of first half of 2021, total classified loan/lease of NBFIs stood Tk.10,328 crore which is 15.39 percent of the total loan/lease. Slow growth in loans & advances, deposit collections and huge fall in operating earnings throughout the year 2020 accelerated the distress of the overall business performance of NBFIs.

Company's Overview: Fareast Finance & Investment Limited was established on June 21, 2001 as a non-banking financial institution. Now the company's Head Office is situated at Simpletree Lighthouse (10th Floor), Plot No. 53, Road No. 21, Block-B, Kemal Ataturk Avenue, Banani, Dhaka-1213 Bangladesh and it has one branch office at Chattogram.

Highlights-2020

- For the year 2020, the Company suffered Net Loss after Income Tax of Taka 285.46 million, which was Net Loss of Taka 718 million at the end of 31st December 2019;
- As on December 31, 2020 the Earnings Per Share of the Company was Taka (1.74) which was Taka (4.38) at the end of the year 2019;
- As on December 31, 2020, Total Loans, Advances and Leases amounted at 9,409.13 million which was Taka 9076.29 million as on December 31, 2019;
- During the year 2020, Company disbursed total Taka 6.44 million against contract amount of Taka 6.44 million;
- Total deposits stood at Taka 4,709.90 million as on December 31, 2020 against Taka 4,747.85 million as on December 31, 2019. 2020;
- As on December 31, 2020, classified loans, advances and leases stood at Taka 4,883.68 million, which

Fareast Finance & Investment Limited

was Taka 5,138.48 million at the end of the year 2019;

- As on December 31, 2020, provision kept against classified other assets (BO Account Balance), fixed deposits, loans, advances and leases was Taka 1419.80 million against requirement of Taka 1987.20 million with a deficit of Taka 567.40 million against which deferral has been allowed by Bangladesh Bank;
- Cost of Borrowing was 9.84 percent as against 11.94 percent in the previous year;
- As on December 31, 2020, Return on Assets was negative 2.56 percent, which was negative 6.32 percent at the end of the year 2019.

Product Wise Performance: As on 31st December 2020, the sector-wise outstanding position of total portfolios of the Company was as following:

SI No	Particulars	No. of Accounts	Amount BDT in Million	Percentage (%)
1	Trade and Commerce	29	128.15	1.36
2	Industry:	122	4884.84	51.91
	A) Garments and Knitwear	19	602.02	6.40
	B) Textile	5	135.37	1.44
	C) Jute and Jute -Products	5	152.33	1.62
	D) Food Production and Processing I Industry	9	279.06	2.97
	E) Plastic Industry	2	34.85	0.37
	F) Leather and Leather -Goods	0	0.00	0.00
	G) Iron, Steel and Engineering	12	885.69	9.41
	H) Pharmaceuticals and Chemicals	23	288.72	3.07
	I) Cement and Allied Industry	4	742.68	7.89
	J)Telecommunication and Information Technology	5	192.78	2.05
	K) Paper, Printing and Packaging	2	169.69	1.80
	L) Glass, Glassware and Ceramic Industry	2	236.23	2.51
	M) Ship Manufacturing Industry	3	501.25	5.32
	N) Electronics and Electrical Products	5	181.68	1.93
	O) Power, Gas, Water and Sanitary Service	1	57.29	0.61
	P) Transport and Aviation	25	425.20	4.52
3	Agriculture	9	197.64	2.10
4	Housing	20	371.26	3.95
5	Others	15	3827.22	40.67
	A) Merchant Banking	0	0.00	0.00
	B) Margin Loan	3	3,324.02	35.33
	C) Others	12	503.20	5.34
	Total	195	9409.126	100.00

Key Operating and Financial Data: Key operating and financial information over the last five years of the Company has been presented on page no 21 in this Annual Report as per clause no.1 (5) (xix) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018.

Management Discussion and Analysis: Management discussion and analysis has been highlighted in the Managing Director's statement in page no 18 of this annual report.

Risk Management: Risk and uncertainties are essential elements of the financing business. To mitigate and manage these risks, Fareast Finance & Investment Limited has different committees namely, Credit Committee (CC), Asset and Liability Committee (ALCO), Risk Management Committee, Management Committee and Audit Committee. The Committees regularly meet to review the market, credit and liquidity risk related factors and recommend and implement suitable measures to counter these risks. Appropriate and effective internal control systems are also in place to address operational risks. The Company has also taken steps to further strengthen its Internal Control and Compliance functions.

Corporate Social Responsibility (CSR): Fareast Finance & Investment Limited has a commitment towards all stakeholders to engage in ethical practices. As a financial institution, we recognize our responsibilities towards the society and participate actively in CSR activities including promotion of staff-welfare activities.

Environmental Issues: Fareast Finance & Investment Limited is very concerned regarding environmental issues and accordingly it continuously reviews the environment related issues. It ensures that the clearance certificate from the regulators have been obtained at the time of providing lease or loan facilities wherever necessary. We are equally concerned about maintaining good environment in the office.

Human Resources of the Company: Fareast Finance & Investment Limited continuously reviews its human resource policies and implements effective management policies and practices to enrich its employees. We believe that our human resources possess competitive advantage in terms of their experience and professional expertise. Considering this, we strive to recruit the best suited persons for the right positions, provide them with adequate training and implement programs to develop and retain them. Fareast Finance & Investment Limited carefully looks into the motivational aspects, health and safety of its employees. Capacity building activities are being encouraged and promoted by the company.

Corporate & Financial Reporting Framework: The Directors of Fareast Finance & Investment Limited, in accordance with BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/ 80 dated June 3, 2018, confirms compliance with the financial reporting framework for the following:

- The financial statements prepared by the management of Fareast Finance & Investment Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of accounts of the Company have been maintained;
- Appropriate accounting policies have been applied in preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS) as applicable in Bangladesh, have been applied in preparation of the financial statements and any departure from there are adequately disclosed;
- Internal Control Process have been properly designed and effectively implemented and monitored;
- Based on the financial parameters and auditors' findings & opinion, there is reasonable apprehension about the company's ability to continue as a going concern.

Managing Director and Head of Finance's Declaration Certificate: The Managing Director and Head of Finance's declaration to the Board is enclosed in Annexure - A on page no 33 in this Annual Report as per clause no. 1(5) (xxvi) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018.

The Pattern of Shareholding : The Authorized Capital of Fareast Finance & Investment Limited is Taka 2,000,000,000 divided into 200,000,000 ordinary shares of Taka 10 each. The present Paid-up Capital of the Company is Taka 1,640,633,300 divided into 164,063,330 ordinary shares of Taka 10 each. The shareholding pattern of the Company as on December 31, 2020 is shown on page 15 in this Annual Report as per clause no. 1(5) (xxiii) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018.

Board Meeting Attendance & Remuneration of Directors: During the year ended on December 31, 2020 a total number of 10 Board Meetings were held and attendances of the directors are presented in Annexure-I on page 46 and their remuneration paid during the year are given in Notes 32 in this Annual Report as per clause no.1(5)(xxii) & 1(5)(x) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018.

Related Party Transactions: In the ordinary course of business, a number of transactions with other entities that fall within the definition of related party contained in BAS 24: "Related Party Disclosures". The Company extends leases/loans to related parties including its Directors and related Companies. A statement of related party transactions along with their basis has been presented in Note 46 of the Financial Statements. Besides, Directors' name and their interest in different organizations are also disclosed in Annexure-C attached to the

Financial Statements as per clause no. 1 (5) (Vi) of the BSEC Notification No. BSEC/CMR-RCD/2006-158/207/Admin/80 dated June 03, 2018.

Compliance Report on Corporate Governance Code: Status of the compliance of the conditions of Corporate Governance Code imposed by Bangladesh Securities and Exchange Commission's Notification No. BSEC/CMR-RCD/2006-158/207/Admin/80 dated June 03, 2018, along with a Certificate from a practicing Chartered Accountant has been enclosed in Annexure- B on page 34 in this Annual Report.

We also enclose a statement of compliance on the good governance guidelines issued by the Bangladesh Bank as Annexure- III on page no 48 in this Annual Report.

Appropriations of Retained Earnings: According to Rule 6 of The Financial Institutions Regulation 1994, the Company required to keep 20% of its After Tax Profit as Statutory Reserve. In 2020, Fareast Finance & Investment Limited made Net Loss After Income Tax of Taka 285.46 million. Consequently, no amount needs to be transferred to Statutory Reserve as the Company incurred loss in the year 2020.

Dividend: The Board of Directors recommended no dividend on the ordinary shares of the Company's paid up capital for the year 2020 as the Company incurred Loss. In the year 2020, Fareast Finance & Investment Limited suffered loss of Taka 285.46 million and at the end of 2020, retained earnings of the company was a negative figure of Taka 1807.69 million. As per regulatory requirement, the dividend is payable only out of profits of the company. If there is no profit, there can be no distribution of dividend. Accordingly, the company cannot pay any stock dividend with its negative retained earnings.

Interim Dividend: No bonus share or stock dividend has been or shall be declared as interim dividend.

Directors Resume and Line of Expertise: A brief resume of Directors are appended in page no 10 to 12 in this Annual Report which includes his/her nature of expertise and qualifications.

Directors Retirement and Re-Appointment: This is to be mentioned here that Bangladesh Securities & Exchange Commission (BSEC) vide their Letter No: SEC/SRMIC/2021/part-Z/89 dated March 29, 2021 reconstituted the Board of the Company with 06 new Independent Directors and 3 previous Board Members or Shareholder Directors in the Board. As per Section 91(2) of the Companies Act 1994 and as per Article 67 of the Articles of Association of the Company, in every year other than first year, one-third of the Directors for the time being or if their number is not three or multiples of three then the number nearest to one-third are required to retire from office. Till date number of Shareholder Directors of the Company's Board is zero due to casual vacancy of the Directors. The reasons of the casual vacancies are stated below:

Mr. Md. Shamsul Islam Varosha one of the Shareholder Director of the Board of the Company having been consecutively absent in 5 [five] Board Meetings since 28.07.2021, makes his post of Directorship vacant as per Section 108(1) (f) of the Companies Act 1994. In this regard, letters have already been sent to Bangladesh Securities and Exchange Commission and Bangladesh Bank informing the Casual Vacancy dated November 22, 2021.

Dr. Khadiza Waheeda Jahan, another Shareholder Director having been consecutively absent in 10 [ten] Board Meetings since 01.04.2021, makes her post of Directorship vacant as per Section 108(1)(f) of the Companies Act 1994. In this regard, letters have already been sent to Bangladesh Securities and Exchange Commission and Bangladesh Bank informing the Casual Vacancy dated November 22, 2021.

Mr. Md. Ashaduzzaman, representing Rimsha BD Limited Director of the previous Board having been consecutively absent in 3 [three] Board Meetings since 29.09.2021 and being the Director of both of a Financial Institution and an Insurance Company simultaneously makes his post of Directorship vacant as per Section 108(1)(f) of the Companies Act 1994 and Section(f)-75 of the Insurance Act, 2010 violation of the Insurance Act, 2010

reported by Bangladesh Bank in its Detailed Inspection Report vide memo no. FIID/I-08/01/2021-895 dated December 28, 2021]. In this regard, letters have already been sent to Bangladesh Securities and Exchange Commission and Bangladesh Bank informing the Casual Vacancy dated February 06, 2022.

Beside that as per Corporate Governance Code 2018, the rotation is not required for retirement and reappointment for any Independent Director. So, no Director will be eligible for retirement and reappointment for the 20th AGM of the Company.

Board Sub-committees: In compliance with the requirements of Bangladesh Bank DFIM Circular No. 13, dated 26 October 2011 and Bangladesh Securities and Exchange Commission's Notification No. BSEC/CMR-RCD/2006-158/207/Admin/80 dated 3 June 2018; the Board of Fareast Finance formed 2 (two) sub-committees named Executive Committee and Audit Committee.

Going Concern: Based on the financial parameters and auditors' findings & opinion, there is reasonable apprehension about the company's ability to continue as a going concern. The reconstituted Board of Directors together with efficient management has been working relentlessly towards sustainability of the company despite the colossal impact of novel corona virus, unpredictable situations and unique & critical market and company specific challenges. FFIL is following zero tolerance policy to irregularities & corruption, taking administrative & disciplinary actions against the persons involved in irregularities & corruption, improving asset quality through collecting necessary documents & updating loan/lease files, strengthening recovery drive through supervision, monitoring and filing suits. FFIL is focused on good governance, reconstruction and sailing the ship ahead with a view to bringing the best for our stakeholders and the economy as a whole.

Auditors: Ahmed Zaker & Co. Chartered Accountants having address at Green City Edge (Level-10), 89 Kakrail Dhaka -1000, Bangladesh worked as Statutory Auditors of the Company for a consecutive period of 3 (three) years and will retire in the 20th Annual General Meeting (AGM) of the Company and not eligible for re-appointment as per Notification No. BSEC/CMRCD/2006-158/208/Admin/81 dated June 20, 2018 of Bangladesh Securities and Exchange Commission (BSEC) and as per Regulations No. 15 of the Dhaka & Chittagong Stock Exchanges Listing Regulations 2015. In this respect the Board of Directors of the Company in its 235th meeting recommended for approval the appointment of "Zoha Zaman Kabir Rashid & Co, Chartered Accountants" having address at Rupayan Karim Tower, Level- 7, Suite No. 7A, 80, Kakrail, Dhaka- 1000, Bangladesh as Statutory Auditors of the Company for the year 2021 at a fee of Taka 3,00,000/- (Taka Three Lac) only excluding VAT subject to approval of Bangladesh Bank before holding the 20th AGM of the Company as per DFIM Circular No. 4 dated 30th April, 2015 and Section 24(1) of Financial Institutions Act 1993 "Zoha Zaman Kabir Rashid & Co, Chartered Accountants" has also shown their willingness to act as Auditor for the year 2021 vide their letter dated June 30, 2022. Bangladesh Bank vide their Letter No. DFIM (C) 1054/38/2022-2412 dated August 28, 2022 accorded approval for appointment of Zoha Zaman Kabir Rashid & Co, Chartered Accountants.

Compliance Auditors: In order to comply with the Condition No. 9 of "Corporate Governance Code" M M Yasin & Co, Chartered Accountants having address at House No. 22, Road No. 12, Block - F, Niketon, Gulshan-1, Dhaka-1212, Bangladesh worked as Compliance Auditors on BSEC Corporate Governance Code of the Company for the year 2020 with a fee of Taka 20,000.00 excluding VAT only and they will retire in the 20th Annual General Meeting of the Shareholders of the Company and M M Yasin & Co, Chartered Accountants showed their unwillingness to act as Corporate Governance Auditors for the year 2021. The Board of Directors of the Company in its 235th meeting recommended for approval the appointment of Jasmin & Associates Chartered Secretaries & Corporate Affairs Consultants having address at 55/B, Noakhali Tower, 10th Floor, Suite No. 11-F, Purana Paltan, Dhaka-1000, Bangladesh as Compliance Auditors of the Company for the year 2021 at a fee of Taka 30,000.00 (Taka Thirty Thousand) only excluding VAT. In this respect, Jasmin & Associates Chartered Secretaries & Corporate Affairs Consultants has also shown their willingness to act as Compliance Auditor vide their Letter No. J&A/CA/2022/614 dated August 10, 2022 for the year 2021.

Acknowledgement:

The Board of Directors of the Company would like to extend sincere thanks and gratitude to its Stakeholders, Customers, Financiers, Government of Bangladesh, Bangladesh Bank, Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange Limited, Chittagong Stock Exchange Limited, Registrar of Joint Stock Companies & Firms, National Board of Revenue and other regulatory authorities for their continued guidance, co-operation and support.

The Board of Directors of the Company also likes to express appreciation to the employees for their co-operation, all-out efforts and commitment for salvaging the company and protecting interest of the honorable stakeholders as well. I also extend my heartfelt thanks and gratitude to our honorable shareholders for their trust in the Board of Directors of Fareast Finance & Investment Limited.

Thank you again.

On behalf of the Board of Directors



Md. Ashraf Moqbul

Chairman

August 21, 2022