

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 22nd Annual General Meeting of the Company and to present the 22nd Annual Report inclusive of the audited Financial Statements of the Company for the year ended December 31, 2022 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 August 17, 2023.

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 is currently experiencing a significant and unexpected slowdown, with inflation rates at their highest in several decades. This cost-of-living crisis is compounded by tightening financial conditions, Russia's invasion of Ukraine, and the ongoing COVID-19 pandemic. The International Monetary Fund (IMF) forecasts that global growth will slow down from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. These growth rates are the lowest since 2001, with the exception of the global financial crisis and the acute phase of the COVID-19 pandemic. Furthermore, global inflation is expected to rise from 4.7 percent in 2021 to 8.8 percent in 2022, before declining to 6.5 percent in 2023 and 4.1 percent by 2024. To restore price stability, monetary policy should remain consistent, while fiscal policy should aim to mitigate the cost-of-living pressures while maintaining a tight stance aligned with monetary policy. Structural reforms that boost productivity and ease supply constraints can also aid in the fight against inflation. Finally, multilateral cooperation is critical to fast-tracking the green energy transition and preventing fragmentation.

Bangladesh Economy: In the phase of global recovery from COVID-19 and worldwide demand-supply chain anomaly amid the Russia-Ukraine war, Bangladesh economy is accelerating its real GDP growth by gradually outstripping the economic catastrophe, supported by full resumption of economic activities. The potential loss of export demand and war-induced rise of the global food, fuel and commodity prices made the import cost higher which ultimately provoked inflation and exchange rate to rise. Notwithstanding the repeated wave of economic disruption, Bangladesh kept its output growth suitable where in case of other South Asian countries; the growth seemed moderated in 2021.

The estimate of the BBS indicates that real GDP recorded a growth of 7.25 percent in FY22, which was higher than 6.94 percent growth in FY21. The economic impact and diversified prospects of Padma Bridge may act as a driving force to achieve desired GDP growth in the present fiscal year.

Inflation Rate: Global inflation is facing somewhat a turbulent trend in 2022. The global inflation has been revised up by the IMF due to the rise in food and energy prices as well as lingering supply- demand imbalances, and it is anticipated to reach 7.2 percent in advanced economies and 9.9 percent in emerging market and developing economies in this year. The point-to-point inflation rate of Bangladesh reached to 7.56 percent in June 2022 which was 5.64 percent in June 2021

Capital Market Activities: In DSE total number of listed securities has increased from 609 in June 2021 to 625 in June 2022. Total Market Capitalization of all listed securities was Tk. 5,142.8 billion in June 2021, which stands at Tk. 5,177.8 billion in June 2022, representing 0.68 percent increase. DSE Board Index increased from 6150.48 points in June 2021 to 6376.94 points in June 2022, representing 3.68 percent increase. At the end of June 2022, the total number of listed securities in Chattogram stock Exchange is 381. Towards the end of June 2022, market Capitalization of CSE was Tk. 4,484.2 billion which was increased 2.29 percent from the last fiscal year. CSE All Share Price Index was 18,727.5 points at the end of June 2022 which was 17,795.0 points in the end of June 2021.

Money Market Scenario: Money market experienced a moderate volatility in FY22 with interbank call money rate climbing higher due to liquidity shortage in the banking sector and rebound program of the economy from the pandemic. BB raised Repo rate twice during FY22. Firstly, Repo rate was increased by 25 basis points in May 2022, from 4.75 percent to 5.00 percent. Later on, BB revised Repo rate upward by 50 basis points in June 2022 and re-fixed at 5.50 percent from 5.00 percent. In FY22, Reverse Repo rate remained unchanged at 4.00 percent.

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. The number of branches of NBFIs stood 271 as on 30 June 2022. Among the branches, 80 are set up in the district of Dhaka and the rest 191 are located in 36 districts across the country. Total 23 numbers of NBFIs are listed with stock exchanges. NBFIs are investing in different sectors of the economy. Sector wise composition of NBFIs in investment at the end of June 2022 (provisional) was Trade and commerce 14.75 percent, agriculture 2.53 percent, housing 19.07 percent, financial corporation 6.56 percent service 6.93 percent, consumer finance 3.66 percent and others 0.77 percent. NBFIs are allowed to invest in the capital market up to 25 percent of their paid up capital and reserve as per section 16 of Financial Institutions Act, 1993. As of June 2022 NBFIs total investment in capital market stood BDT 44.86 billion which was accounted for 4.61 percent of the total assets of all NBFIs. At the end of June 2022, total deposit of NBFIs stood at BDT 478.08 billion and at the end of June 2022 total liability and equity stood at BDT 929.90 and BDT 43.34 billion respectively. 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 2022, total classified loan/lease of NBFIs stood BDT 159.36 billion which is 22.99 percent of the total loan/lease.

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-2022

- For the year 2022, the Company suffered Net Loss after Income Tax of Taka 2,306.50 million, which was Net Loss of Taka 4,191.20 million at the end of 31st December 2021;
- As on December 31, 2022 the Earnings Per Share of the Company was Taka (14.06) which was Taka (25.55) at the end of the year 2021;
- As on December 31, 2022, Total Loans, Advances and Leases amounted at Taka 9438.04 million which was Taka 9,691.66 million as on December 31, 2021;
- Total deposits stood at Taka 4,567.78 million as on December 31,2022 against Taka 4,628.71 million as on December 31,2021;
- As on December 31, 2022, classified loans, advances and leases stood at Taka 8,903.71 million, which was Taka 8,717.21 million at the end of the year 2021;
- As on December 31, 2022, provision kept against classified other assets (BO Account Balance), fixed deposits, loans, advances and leases was Taka 6,513.96 million against requirement of Taka 6,513.96 million with no deficit
- Cost of Borrowing was 8.96 percent as against 9.24 percent in the previous year;
- As on December 31, 2022, Return on Assets was negative 20.16 percent, which was negative 36.47 percent at the end of the year 2021.

Product Wise Performance: As on 31st December 2022, the sector-wise outstanding position of total portfolios of the Company was as following:

Sl No	Particulars	No. of Accounts	Amount BDT in Million	Percentage (%)
1	Trade and Commerce	17	114.61	1.21
2	Industry:	106	5,175.08	54.84
	A) Garments and Knitwear	18	546.88	5.79
	B) Textile	5	142.79	1.52
	C) Jute and Jute -Products	4	64.43	0.68
	D) Food Production and Processing Industry	9	299.50	3.18
	E) Plastic Industry	2	35.18	0.37
	F) Leather and Leather -Goods	0	0.00	0.00
	G) Iron, Steel and Engineering	9	1016.72	10.77
	H) Pharmaceuticals and Chemicals	21	229.18	2.44
	I) Cement and Allied Industry	1	819.65	8.68
	J)Telecommunication and Information Technology	5	237.29	2.51
	K) Paper, Printing and Packaging	3	183.21	1.94
	L) Glass, Glassware and Ceramic Industry	2	287.84	3.05
	M) Ship Manufacturing Industry	3	586.11	6.21
	N) Electronics and Electrical Products	4	219.61	2.33
	O) Power, Gas, Water and Sanitary Service	1	57.29	0.61
	P) Transport and Aviation	19	449.40	4.76
3	Agriculture	7	154.64	1.64
4	Housing	22	819.35	8.68
5	Others	11	3174.36	33.63
	A) Merchant Banking	0	0.00	0.00
	B) Margin Loan	2	3024.79	32.05
	C) Others	9	149.57	1.58
	Total	163	9438.04	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 22 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, Management Committee, Credit Committee (CC), Asset and Liability Committee (ALCO), Risk Management Forum, Risk Analysis Unit. The committees/units 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, 2022 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, 2022 a total number of 12 Board Meetings were held and attendances of the directors are presented in Annexure-I on page 47 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/CMRRCD/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/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018, along with a Certificate from a practicing Chartered Secretaries 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 49 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 2022, Fareast Finance & Investment Limited made Net Loss after Income Tax of Taka 2,306.51 million. Consequently, no amount needs to be transferred to Statutory Reserve as the Company incurred loss in the year 2022.

Dividend: The Board of Directors recommended no dividend on the ordinary shares of the Company's paid up capital for the year 2022 as the Company incurred Loss. In the year 2022, Fareast Finance & Investment Limited suffered loss of Taka 2,306.51 million and at the end of 2022, retained earnings of the company was a negative figure of Taka 8,305.40 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 11 in this Annual Report which includes his/her nature of expertise and qualifications.

Directors Retirement and Re-Appointment:

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 22nd 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/CMRRCD/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: Appointment/ Re-appointment of Auditors: The Company's Auditors "Zoha Zaman Kabir Rashid & Co, Chartered Accountants" have expressed their interest to be re-appointed as the Auditors of the Company. Based on the appraisal by the Audit Committee, the Board recommended for the Re-appointment of "Zoha Zaman Kabir Rashid & Co, Chartered Accountants" as the Auditors of the Company for the next Term i.e. for the year 2023 and to continue until conclusion of the 23rd AGM at a remuneration of Taka 5,00,000.00 (Taka Five Lac) only excluding VAT.

Compliance Auditors: The Corporate Governance Auditors Jasmin & Associates, Chartered Secretaries, have expressed their interest to be re-appointed as Corporate Governance Auditors of the Company. Based on the appraisal by the Audit Committee, the Board recommended for the Re-appointment of Jasmin & Associates, Chartered Secretaries, as the Corporate Governance Auditors of the Company for the next Term i.e. for the year 2023 and to continue until conclusion of the 23rd AGM at a remuneration of Taka 30,000.00 (Taka Thirty Thousand) only excluding VAT.

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. Ashraful Moqbul

Chairman

August 17, 2023