



FAR EAST TECHNOLOGY INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

Website: <http://www.fet.com.hk>

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

INTERIM RESULTS

The Board of Directors of Far East Technology International Limited (the “Company”) announces that the unaudited interim financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2002 together with comparative figures for the previous year. This unaudited interim financial results has been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

		Six months ended	
		30/6/2002	30/6/2001
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	47,596	57,133
Cost of sales		(34,738)	(38,331)
Gross profit		12,858	18,802
Other revenue		4,144	1,941
Distribution costs		(273)	(253)
Administrative expenses	3	(14,936)	(24,035)
Other operating expenses		(1,464)	(409)
Profit (loss) from operations		329	(3,954)
Impairment loss recognised in respect of property, plant & equipment	4	(17,945)	–
Impairment loss recognised on interest in leisure-entertainment complex	5	(68,500)	–
Finance costs		(6,336)	(9,210)
Share of results of a jointly controlled entity		59	(421)
Loss before taxation		(92,393)	(13,585)
Taxation	6	(586)	181
Loss before minority interests		(92,979)	(13,404)
Minority interests		1,032	2,221
Net loss for the period		(91,947)	(11,183)
Dividends	7	Nil	Nil
Loss per share			
Basic	8	(27.7 cents)	(3.4 cents)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Accounting policy and comparative figures

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and investments in securities.

The accounting policies and methods of computation used in the preparation of these unaudited condensed financial statements are consistent with those used in the Group's annual financial statements for the year ended 31st December, 2001, except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (Revised):	Presentation of Financial Statements
SSAP 11 (Revised):	Foreign Currency Translation
SSAP 15 (Revised)	Cash Flow Statements
SSAP 25 (Revised):	Interim Financial Reporting
SSAP 34:	Employee Benefits

The changes to the Group's accounting policies and the effect of adopting these new and revised standards are set out below:—

SSAP 11 (Revised): Foreign currency translation

The balance sheets of the Company's subsidiaries express in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the income statements are translated at an average rate. Exchange differences arising are dealt with as a movement in reserves.

In prior periods, the income statements of subsidiaries were translated at closing rate. This is a change in accounting policy, however, the translation of the income statements of subsidiaries in prior period have not been restated as the effect of this change are not material to the current and prior period.

SSAP 34: Employee benefits

This new SSAP prescribes the accounting and disclosure for employee benefits. There is no material impact on the financial results and financial position of the Group by the adoption of this new SSAP and accordingly comparative figures have not been restated.

During the period, the adoption of the other new and revised standards has no material effect on the Group's condensed financial statements other than presentation changes. Certain comparative figures for the prior period have been reclassified to conform with the current period's presentation.

2. Business and geographical segments

Business segments

	Securities investment		Property development and investment		Entertainment and leisure		Industries		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30th June (unaudited)												
TURNOVER												
External sales	2,894	11,056	7,028	6,516	7,192	12,000	30,482	27,561	-	-	47,596	57,133
Inter-segment sales	-	-	-	-	823	773	-	-	(823)	(773)	-	-
Total turnover	<u>2,894</u>	<u>11,056</u>	<u>7,028</u>	<u>6,516</u>	<u>8,015</u>	<u>12,773</u>	<u>30,482</u>	<u>27,561</u>	<u>(823)</u>	<u>(773)</u>	<u>47,596</u>	<u>57,133</u>
Inter-segment sales are charged at prevailing market rates.												
RESULT												
Segment results	<u>(2,039)</u>	<u>742</u>	<u>5,691</u>	<u>1,766</u>	<u>(8,700)</u>	<u>(8,176)</u>	<u>1,233</u>	<u>(227)</u>	<u>-</u>	<u>-</u>	<u>(3,815)</u>	<u>(5,895)</u>
Other revenue	1,540	940	41	103	2,538	868	25	30			4,144	1,941
Profit (loss) from operations											329	(3,954)
Impairment loss recognised in respect of property, plant & equipment	-	-	-	-	(17,945)	-	-	-			(17,945)	-
Impairment loss recognised on interest in leisure-entertainment complex	-	-	-	-	(68,500)	-	-	-			(68,500)	-
Finance costs											(6,336)	(9,210)
Share of results of a jointly controlled entity	-	-	-	-	59	(421)	-	-			59	(421)
Loss before taxation											(92,393)	(13,585)
Taxation	-	-	(276)	207	-	(22)	(310)	(4)			(586)	181
Loss after taxation											<u>(92,979)</u>	<u>(13,404)</u>

Geographical segments

	Sales revenue by geographical market		Contribution to profit (loss) from operations	
	Six months ended		Six months ended	
	30/6/2002	30/6/2001	30/6/2002	30/6/2001
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	13,547	5,290	1,660	(3,948)
Malaysia	4,798	5,359	298	(1,401)
Singapore	8,016	11,969	(774)	(4,814)
PRC	10,317	11,198	(2,078)	3,610
Japan	10,918	23,317	1,223	2,599
	<u>47,596</u>	<u>57,133</u>	<u>329</u>	<u>(3,954)</u>

3. Staff expenses & depreciation

During the period, the Group's staff expenses of approximately HK\$6.6 million (six months ended 30th June, 2001: HK\$8.3 million) was charged.

During the period, depreciation of approximately HK\$6.2 million (six months ended 30th June, 2001: HK\$6.2 million) was charged in respect of the group's property, plant and equipment.

4. Impairment loss recognised in respect of property, plant and equipment

During the period, the directors has assessed the recoverable amount of the investment in RFC Far East Cafe Pte. Ltd. and in view of the continuing operating loss incurred in this company .

An impairment loss of property, plant and equipment HK\$17,945,000 was recognised during the period in respect of leasehold improvement HK\$17,324,000 and electrical and other equipment HK\$621,000 which were used in Rainforest Cafe in which Rainforest Cafe operation is almost totally ceased in Singapore in August, 2002.

5. Impairment loss recognised on interest in leisure-entertainment complex

During the period, the directors have assessed the net realisable value and recoverable amount on the Group's interest in leisure-entertainment complex which the continuing operation of leisure-entertainment complex is not able to generate positive cash flows to the Group in future, as it is unlikely the Group's interest in leisure-entertainment complex is expected to be recoverable. An impairment loss of HK\$68,500,000 have been recognised on interest in leisure-entertainment complex.

6. Taxation

	Six months ended	
	30/6/2002	30/6/2001
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
The Company and Subsidiaries		
Profits Tax for the period		
Hong Kong	–	–
Other jurisdictions	(586)	181
	<u> </u>	<u> </u>
	(586)	181
	<u> </u>	<u> </u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit during the period (six months ended 30th June, 2001: 16%). Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

At the reporting date, no provision for deferred tax has been made for the Company as the effect of timing differences is immaterial. No provision for deferred tax is required for subsidiaries as there are deferred tax debits which will be recognised only when they become crystallized.

7. Dividends

The Directors have resolved not to declare any interim dividend for the six months ended 30th June, 2002 (six months ended 30th June, 2001: Nil).

8. Loss per share

The calculation of loss per share is based on the loss for the period of HK\$91,947,000 (six months ended 30th June, 2001: HK\$11,183,000) and on 331,668,905 (six months ended 30th June, 2001: 331,668,905) ordinary shares in issue during the period. As there was no dilutive potential ordinary share for the period ended 30th June, 2002, no diluted loss per share was presented.

9. Additions to property, plant and equipment

During the period, the group spent approximately HK\$2,853,000 (for the year ended 31st December 2001: HK\$1,526,000) of which HK\$Nil (for the year ended 31st December, 2001: HK\$314,000) on construction in progress; HK\$462,000 (for the year ended 31st December, 2001: Nil) on additions to golf resort complex in overseas held under freehold land; HK\$416,000 (for the year ended 31st December, 2001: HK\$491,000) on additions to lifts electrical and other equipment; HK\$1,975,000 (for the year ended 31st December, 2001: HK\$46,000) on additions to exhibits display items, furniture, fittings and costumes; HK\$Nil (for the year ended 31st December, 2001: HK\$675,000) on trams coaches and motor vehicles.

10. Trade and other receivables

For sales of goods, the group has a policy of allowing an average credit period of 30-90 days to its trade customers. Rental receivables from tenants and service income receivables from customers are payable on presentation of invoices. The ageing analysis of trade receivables at the reporting date is as follows:

	THE GROUP	
	30/6/2002	31/12/2001
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 – 30 days	4,883	3,566
31 – 60 days	1,200	2,437
61 – 90 days	528	291
Over 90 days	10,090	8,945
	<hr/>	<hr/>
Total trade receivables	16,701	15,239
Other receivables	14,285	15,032
	<hr/>	<hr/>
	30,986	30,271
	<hr/> <hr/>	<hr/> <hr/>

11. Trade and other payables

The ageing analysis of trade payables at the reporting date is as follows:

	THE GROUP	
	30/6/2002	31/12/2001
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 – 30 days	2,497	2,706
31 – 60 days	3,575	1,486
61 – 90 days	1,546	379
Over 90 days	18,334	16,845
	<hr/>	<hr/>
Total trade payables	25,952	21,416
Other payables	69,830	76,902
	<hr/>	<hr/>
	95,782	98,318
	<hr/> <hr/>	<hr/> <hr/>

12. Condensed consolidated statement of changes in equity

	Share capital HK\$'000	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Exchange reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
1st January, 2002	331,669	282,892	12,159	(27,384)	(288,065)	311,271
Loss for the period	-	-	-	-	(91,947)	(91,947)
Exchange differences arising on translation of overseas subsidiaries	-	-	-	7,381	-	7,381
At 30th June, 2002	<u>331,669</u>	<u>282,892</u>	<u>12,159</u>	<u>(20,003)</u>	<u>(380,012)</u>	<u>226,705</u>
At 1st January, 2001	331,669	282,892	27,058	(22,023)	(231,390)	388,206
Loss for the period	-	-	-	-	(11,183)	(11,183)
Exchange differences arising on translation of overseas subsidiaries	-	-	-	3,265	-	3,265
At 30th June, 2001	<u>331,669</u>	<u>282,892</u>	<u>27,058</u>	<u>(18,758)</u>	<u>(242,573)</u>	<u>380,288</u>

13. Pledge of assets

At the reporting date:

- (a) Margin trading facilities in respect of securities transactions to the extent of approximately HK\$7.3 million (31st December, 2001: HK\$7.3 million) of which HK\$4.3 million (31st December, 2001: HK\$4.3 million) were utilised, are secured by the group's listed investments of approximately HK\$46.4 million (31st December, 2001: HK\$46 million);
- (b) the term loans granted to a Group's subsidiary obtained from licensed financial institutions to the extent of approximately HK\$89 million (31st December, 2001: HK\$89 million), of which HK\$74 million (31st December, 2001: HK\$77 million) were utilised are secured by:
 - (i) Group's golf resort complex and properties under development in Malaysia with an aggregate net book value of approximately HK\$144 million (31st December, 2001: HK\$144 million);
 - (ii) fixed and floating charge over the land and properties of the respective subsidiary; and
 - (iii) jointly and severally guarantees by a director of the Company and a director of the respective subsidiary.

- (c) banking facilities to the extent of approximately HK\$133 million (31st December, 2001: HK\$127 million) of which HK\$119 million (31st December, 2001: HK\$115 million) were utilised, are secured by:
- (i) Group's investment properties in Singapore with an aggregate net book value of approximately HK\$181 million (31st December, 2001: HK\$173 million); and
- (ii) severally guaranteed by the Company and a director of the Company.
- (d) banking facilities to the extent of approximately HK\$3.5 million (31st December, 2001: HK\$3.5 million) of which HK\$3.5 million (31st December, 2001: HK\$3.5 million) were utilised, are secured by the Group's plant equipment and motor vehicles in PRC with an aggregate book value of approximately HK\$0.5 million (31st December, 2001: HK\$2 million);
- (e) banking facilities to the extent of approximately HK\$2 million (31st December, 2001: HK\$3.8 million) of which HK\$1.8 million (31st December, 2001: HK\$3.8 million) were utilised, are secured by :
- i) Group's property, plant equipment in Singapore with an aggregate net book value of approximately HK\$22 million (31st December, 2001: HK\$22 million); and
- ii) severally guaranteed by the Company and a director of the Company.
- (f) loan facilities obtained from a third party to the extent of approximately HK\$13 million (31st December, 2001: HK\$12 million) of which HK\$12 million (31st December, 2001: HK\$11 million) were utilised, are secured by :
- i) Group's bank deposits approximately HK\$0.9 million (31st December, 2001: HK\$0.8 million) was pledged in favour of the third party; and
- ii) severally guaranteed by the Company.

Save as disclosed above, other banking facilities which were set out in note 38 of the Group's Annual Report 2001 remained unchanged during the period under review.

14. Contingent liabilities

At the reporting date, there were contingent liabilities, so far as not provided for in the financial statements as follows:

	THE GROUP		THE COMPANY	
	30/6/2002	31/12/2001	30/6/2002	31/12/2001
	(unaudited)	(audited)	(unaudited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to bank, in respect of banking facilities utilised by subsidiaries	<u>—</u>	<u>—</u>	<u>151,941</u>	<u>148,062</u>

15. Operating lease commitments

At the reporting date, the group had commitments for the future minimum lease payments under non-cancellable operating lease which fall due as follow:

	THE GROUP	
	30/6/2002 (unaudited) HK\$'000	31/12/2001 (audited) HK\$'000
Within one year	3,457	3,299
In the second to fifth year inclusive	6,193	7,560
Over five years	—	—
	<u>9,650</u>	<u>10,859</u>

Operating lease payments represent rental payables by the Group for its restaurant. Leases are negotiation for an average term of six years.

16. Capital commitments

At the reporting date, there were outstanding capital commitments authorised and contracted for, but not provided for in the financial statements in respect of:

	THE GROUP		THE COMPANY	
	30/6/2002 (unaudited) HK\$'000	31/12/2001 (audited) HK\$'000	30/6/2002 (unaudited) HK\$'000	31/12/2001 (audited) HK\$'000
Contribution to capital investment	<u>—</u>	<u>—</u>	<u>9,678</u>	<u>9,678</u>

At the reporting date, the Group and the Company has no capital expenditure that has been authorised but not contracted for.

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend in respect of the six months ended 30th June, 2002 (six months ended 30th June, 2001: Nil).

REVIEW OF OPERATIONS, OUTLOOK AND STRATEGY

1. Corporate results

Turnover for the six months ended 30th June, 2002 was HK\$47,596,000 as compared to HK\$57,133,000 in the corresponding period of 2001, a decrease of the 17%. Loss attributable to shareholders was HK\$91,947,000.

2. Financial resources and liquidity

Borrowing and charge on Group assets

The business activities of the Group are funded by bank borrowing, unsecured loans and cash generated from operating activities. The Group's total bank and other borrowings amount to approximately HK\$235 million as at 30th June 2002 (31st December, 2001: HK\$232 million), in which HK\$203 million (31st

December, 2001: HK\$199 million) was payable within one year and HK\$32 million (31st December, 2001: HK\$33 million) was payable after one year. HK\$222 million (31st December, 2001: HK\$218 million) of the borrowings was secured while the remaining HK\$13 million (31st December, 2001: HK\$14 million) was unsecured.

Interest rates were in line with the best lending rates either at prime or based on the Hong Kong Inter-bank Offer Rate. The Group did not have any financial instruments used for hedging purpose.

Gearing ratio

The gearing ratio (total bank and other borrowings to shareholders' equity) as at 30th June, 2002 was 104% (31st December, 2001: 75%).

Current ratio

The current ratio as at 30th June, 2002 was 0.24. (31st December, 2001: 0.23).

Exchange rate

The Group was not exposed to material exchange rates fluctuations during the period.

Pledge of assets

At the reporting date, the Group's investment properties, plant, equipment, motor vehicles, listed investment and bank deposit with an aggregate net book value of approximately HK\$448 million (31st December, 2001: HK\$437 million) together with that of subsidiaries were mortgaged or pledged to the Group's bankers, licensed financial institutions and loan creditors to secure banking facilities, margin trading facilities, overdraft and revolving loan facilities, term loan facilities and loan facilities to the Group and its subsidiaries to the extent of approximately HK\$397 million (31st December, 2001: HK\$352 million) and HK\$244 million (31st December, 2001: HK\$240 million) respectively.

Contingent liabilities

At the reporting date, contingent liabilities of the Group in respect of guarantees given to bank, in respect of banking facilities utilised by subsidiaries were approximately HK\$152 million (31st December, 2001: HK\$148 million).

Material acquisitions and disposals of subsidiaries and associated companies

During the interim period, there was no material acquisition of subsidiaries and associated companies by the Group.

3. Business review

During the first half of 2002, the Group underwent several business restructures. This restructuring process will carry on throughout the year, during which non-performing assets and subsidiaries will be considered to be sold or be ceased. The Board believes that this restructuring process is necessary and will help to cut operation costs and reduce losses which is for the best benefits of the Company and its shareholders in the long term.

Our joint venture Company with China National Computer Software and Technology Services Corporation (“CS&S”), China Soft International is again growing steadily. Both revenue and profit see strong growth during the period.

The Group’s joint venture garment factory – Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited is also making positive returns. Sales order from Japan remain strong and we forecast the sales to remain stable for the near future.

Cinemas in Hong Kong had been converted into commercial use and had been rented out except the Mandarin Theatre in Hunghom and contribute steady rental incomes.

Performance of the Golf Resort in Malaysia is disappointing. The market remains weak and with decreasing spendings for the whole country we could not be optimistic with this operation in the coming year. Sales of bungalows in the Resort was slow due to the poor economic situation. We have to await for the economy to improve in the future to improve its sales.

Parkway Centre in Singapore yields steady rental income in the past year and the sale of its office units will continue.

The Group has ceased operation of its RFC Restaurant in Singapore due to unsatisfactory performance over the years. The Board decided in June that the food and beverage sector in Singapore is too weak and the market does not justify for the Company to carry on operation of its RFC Restaurant.

During the period, the Directors have assessed the net realisable value and recoverable amount on the Group’s interest in Tang Dynasty City, the leisure-entertainment complex in Singapore. The Board believes that the continuing operation of the leisure-entertainment complex is not likely to generate positive cash flows to the Group in the near future. And it is unlikely that the Group’s interest in leisure-entertainment complex is expected to be recovered. And we have to further provide an impairment loss for our interest in Tang Dynasty City.

4. Employee and remuneration policies

The number of employees of the Group as at 30th June, 2002 was approximately 600. Employees are remunerated according to nature of the job and market conditions. The Group has not adopted any share option scheme and training scheme for the employees during the period.

Commencing from 1st December, 2000, the Group operates a Mandatory Provident Fund Scheme for all qualifying employees.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period under review, the Company and its subsidiaries have not purchased, sold or redeemed any of the securities in the Company.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months period ended 30th June, 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The detailed interim results containing the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be released on The Stock Exchange of Hong Kong Limited's website in due course.

On behalf of the Board
Duncan Chiu
Joint Managing Director

Hong Kong, 20th September, 2002