



# 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, 2003

### INTERIM RESULTS

The Board of Directors of Far East Technology International Limited (the “Company”) announces the unaudited interim financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2003 together with comparative figures for the previous period. 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, 2003

		Six months ended	
		30/6/2003	30/6/2002
		(unaudited)	(unaudited and restated)
	NOTES	HK\$’000	HK\$’000
Turnover	3	43,592	47,596
Cost of sales		(37,734)	(34,738)
Gross profit		5,858	12,858
Other operating income		2,220	4,144
Distribution costs		(47)	(273)
Administrative expenses	4	(7,026)	(14,936)
Other operating expenses		(79)	(1,464)

	<i>NOTES</i>	<b>Six months ended</b>	
		<b>30/6/2003</b> <b>(unaudited)</b> <b>HK\$'000</b>	30/6/2002 (unaudited and restated) HK\$'000
Impairment loss on investments in securities		<b>(2,417)</b>	–
Impairment loss on property, plant & equipment	5	<b>–</b>	(17,945)
Loss from operations		<b>(1,491)</b>	(17,616)
Impairment loss on interest in leisure-entertainment complex	6	<b>–</b>	(68,500)
Gain on deemed disposal of partial interest in an associate	7	<b>3,278</b>	–
Finance costs		<b>(3,334)</b>	(6,336)
Share of results of associates		<b>2,672</b>	–
Share of results of a jointly controlled entity		<b>110</b>	59
Profit (loss) before taxation		<b>1,235</b>	(92,393)
Taxation	8	<b>(651)</b>	(1,235)
Profit (loss) before minority interests		<b>584</b>	(93,628)
Minority interests		<b>(358)</b>	1,032
Net profit (loss) for the period		<b>226</b>	(92,596)
Dividends	9	<b>Nil</b>	Nil
Profit (loss) per share			
Basic	10	<b>0.07 cents</b>	(27.9 cents)

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## 1. Basis of preparation

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and with the applicable disclosures requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and should be read in conjunction with the 2002 annual financial statements.

## 2. 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, 2002, except that the Group has adopted the revised Statement of Standard Accounting Practice (“SSAP”) 12 “Income Taxes” issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2003.

The changes to the Group’s accounting policies and the effect of adopting this revised standard is set out below:

During the period, The Group has adopted SSAP 12 (Revised) “Income taxes”. The principal effect of the implementation of the revised standard is in relation to deferred tax. It requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the condensed financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. This change in accounting policy has resulted in a decrease in accumulated losses of HK\$2,401,000 as at 1st January, 2002. (A decrease in accumulated losses of HK\$3,373,000 as at 1st January, 2001). Certain comparative figures for the prior period have been restated to conform with the current period’s presentation.

### 3. Business and geographical segments

#### *Business segments*

	Securities investment		Property development and investment		Entertainment and leisure		Industrial		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	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 and restated)												
<b>TURNOVER</b>												
External sales	3,158	2,894	5,012	7,028	207	7,192	35,215	30,482	-	-	43,592	47,596
Inter-segment sales	-	-	-	-	-	823	-	-	-	(823)	-	-
Total turnover	<u>3,158</u>	<u>2,894</u>	<u>5,012</u>	<u>7,028</u>	<u>207</u>	<u>8,015</u>	<u>35,215</u>	<u>30,482</u>	<u>-</u>	<u>(823)</u>	<u>43,592</u>	<u>47,596</u>
Inter-segment sales are charged at prevailing market rates.												
<b>RESULT</b>												
Segment results	<u>(6,239)</u>	<u>(2,039)</u>	<u>2,549</u>	<u>5,691</u>	<u>(965)</u>	<u>(95,145)</u>	<u>944</u>	<u>1,233</u>	<u>-</u>	<u>-</u>	<u>(3,711)</u>	<u>(90,260)</u>
Other operating income	2,078	1,540	15	41	14	2,538	113	25			<u>2,220</u>	<u>4,144</u>
Loss from operations after impairment loss on the interest in leisure-entertainment complex											<u>(1,491)</u>	<u>(86,116)</u>
Gain on deemed disposal of partial interest in an associate	-	-	-	-	-	-	3,278	-			<u>3,278</u>	<u>-</u>
Finance costs											<u>(3,334)</u>	<u>(6,336)</u>
Share of results of associates	-	-	-	-	-	-	2,672	-			<u>2,672</u>	<u>-</u>
Share of results of a jointly controlled entity	-	-	-	-	110	59	-	-			<u>110</u>	<u>59</u>
Profit (loss) before taxation											<u>1,235</u>	<u>(92,393)</u>
Taxation											<u>(651)</u>	<u>(1,235)</u>
Profit (loss) after taxation											<u>584</u>	<u>(93,628)</u>

## *Geographical segments*

	<b>Sales revenue by geographical market</b>	
	<b>Six months ended</b>	
	<b>30/6/2003</b>	30/6/2002
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Hong Kong	<b>4,134</b>	13,547
Malaysia	<b>–</b>	4,798
Singapore	<b>4,042</b>	8,016
PRC	<b>12,186</b>	10,317
Japan	<b>23,230</b>	10,918
	<hr/>	<hr/>
	<b>43,592</b>	47,596
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#### **4. Staff expenses & depreciation**

During the period, the Group's staff expenses of approximately HK\$5.8 million (six months ended 30th June, 2002: HK\$ 6.6 million) was charged.

During the period, depreciation of approximately HK\$2.5 million (six months ended 30th June, 2002: HK\$6.2 million) was charged in respect of the Group's property, plant and equipment.

#### **5. Impairment loss on property, plant and equipment**

During the period, there was no impairment loss on property, plant and equipment recognised. (For the six months ended 30th June, 2002, the directors have 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 on property, plant & equipment HK\$17,945,000 was recognised during the period in respect of leasehold improvement HK\$17,324,000 & electrical and other equipment HK\$621,000 which were used in Rainforest Cafe in which Rainforest Cafe operation ceased in Singapore in August, 2002.)

**6. Impairment loss on interest in leisure-entertainment complex**

During the period, there was no impairment loss on interest in leisure-entertainment complex recognised. (For the six months ended 30th June, 2002, 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 that the Group's interest in leisure-entertainment complex is expected to be recoverable. An impairment loss of HK\$68,500,000 has been recognised on interest in leisure-entertainment complex.)

**7. Gain on deemed disposal of partial interest in an associate**

After the listing of Chinasoft International Limited (8216) on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 20th June, 2003, Chinasoft International Limited allotted 160,000,000 new shares at placing price of HK\$0.32 to the public, resulting in the dilution of the Company's shareholding in Chinasoft International Limited from 36.85% to 27.64%. Accordingly, the Company shares a gain on deemed disposal of partial interest in an associate of HK\$3,278,000 for the period ended 30th June, 2003 (six months ended 30th June, 2002 : HK\$Nil).

## 8. Taxation

	<b>Six months ended</b>	
	<b>30/6/2003</b>	30/6/2002
	<b>(unaudited)</b>	(unaudited and restated)
	<b>HK\$'000</b>	<b>HK\$'000</b>
The charge comprises:		
Deferred tax	<b>(292)</b>	(649)
Current tax		
The Company and subsidiaries		
Profits Tax for the period		
Overseas	<b>(131)</b>	(586)
Share of taxation attributable to associates	<b>(228)</b>	–
	<b>(651)</b>	(1,235)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit during the period (six months ended 30th June, 2002: 16%). Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

Deferred tax has been provided for at the rate that is expected to apply in the period when the liability is settled or the asset is realised.

## 9. Dividends

The Directors have resolved not to declare any interim dividend for the six months ended 30th June, 2003 (six months ended 30th June, 2002: HK\$Nil).



## **10. Profit (loss) per share**

The calculation of basic profit (loss) per share is based on the profit for the period of HK\$226,000 (six months ended 30th June, 2002: (restated) loss of HK\$92,596,000) and on 331,668,905 (six months ended 30th June, 2002: 331,668,905) ordinary shares in issue during the period. As there was no dilutive potential ordinary share for the period ended 30th June, 2003, no diluted profit per share was presented.

## **REVIEW OF OPERATIONS, OUTLOOK AND STRATEGY**

### **1. Corporate Results**

Turnover for the six months ended 30th June, 2003 was HK\$43,592,000 as compared to HK\$47,596,000 in the corresponding period of 2002, a decrease of 8.4%. Profit attributable to shareholders was HK\$226,000.

### **2. Financial Resources and Liquidity**

#### *Borrowing and Charge on Group Assets*

The business activities of the Group are funded by bank borrowings, unsecured loans and cash generated from operating activities. The Group's total bank and other borrowings amount to approximately HK\$149 million as at 30th June, 2003 (31st December, 2002: HK\$154 million), in which HK\$144 million (31st December, 2002: HK\$146 million) was payable within one year and HK\$5 million (31st December, 2002: HK\$8 million) was payable after one year. HK\$146 million (31st December, 2002: HK\$151 million) of the borrowings was secured while the remaining HK\$3 million (31st December, 2002: HK\$3 million) was unsecured. The Group's borrowings were primarily denominated in Singapore dollars.

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, 2003 was 95% (31st December, 2002: 99%).

### *Current Ratio*

The current ratio as at 30th June, 2003 was 0.25 (31st December, 2002: 0.25).

### *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 investments and bank deposits with an aggregate net book value of approximately HK\$228 million (31st December, 2002: HK\$234 million) together with the properties of the Company and its subsidiaries were mortgaged or pledged to the Group's bankers and licensed financial institutions to secure banking facilities, margin trading facilities, overdraft and revolving loan facilities and loan facilities to the Group and its subsidiaries to the extent of approximately HK\$187 million (31st December, 2002: HK\$218 million) and HK\$113 million (31st December, 2002: HK\$116 million) respectively.

### *Contingent liabilities and capital commitments*

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\$131 million (31st December, 2002: HK\$131 million).

At the reporting date, there was no capital commitment authorised and contracted for the Group in respect of contribution to capital of investment (31st December, 2002: Nil). The Group has no capital expenditure that has been authorised but not contracted for (31st December, 2002: Nil).

### *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 and Prospects**

During the first half of 2003, ChinaSoft International Limited (“CSI”) was successfully listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Far East Technology International Limited remains as the single largest shareholder of CSI after its listing. On top of this, business results remain positive for CSI with an increasing demand for its services and products in China, as various government departments and regional governments are looking to enhance their IT compliances to better serve the public and be more efficient. CSI is now one of the leading provider of these services and software products and we foresee there will be strong demand for these services in the upcoming years.

On the industrial side, Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited had similar performance as in last year. Sales orders remain stable for the first half. We estimate the full year performance will be close to last year in the terms of both revenues and profits.

Suzhou Goldtract Commodity Concrete Company Limited had increased its sales over the period with bigger demand for cement products in the Suzhou City. However, with keen competitions, there are still strong pressure on sales price.

For the property division, rental incomes generated from Singapore's Parkway Centre and Hong Kong's commercial properties were about the same as in 2002. With the property market now showing signs of recovery, we remain optimistic about the future of these properties.

As a result of the closure of Rainforest Cafe restaurant in Singapore and the disposal of the Golf Resort in Malaysia, the Group has greatly reduced its operating losses and slightly lowered its gearing ratio. We are still looking forward to reduce the Group's gearing through selling of non-core assets.

#### **4. Employee and Remuneration Policies**

The number of employees of the Group as at 30th June, 2003 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.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

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, 2003, 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**

A 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**  
*Managing Director*

Hong Kong, 19th September, 2003