



# FAR EAST TECHNOLOGY INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

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

(Stock Code: 36)

## FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2004

### RESULTS

The Board of Directors of Far East Technology International Limited (the "Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2004 together with the comparative figures for the corresponding period in 2003 are set out as follows:

### CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2004

		Year ended 31st December,	
	Notes	2004 HK\$	2003 HK\$
Turnover	2	<b>73,394,521</b>	84,678,252
Cost of sales		<b>(65,576,647)</b>	(71,313,072)
Gross profit		<b>7,817,874</b>	13,365,180
Other operating income		<b>5,000,441</b>	3,160,200
Distribution costs		<b>(460,238)</b>	(552,814)
Administrative expenses		<b>(6,158,693)</b>	(6,301,300)
Other operating expenses		<b>(191,394)</b>	(1,352,895)
Unrealised holding gain on listed other investments		<b>4,545,221</b>	6,239,799
Gain on disposal of listed investment securities		<b>3,089,802</b>	5,275,613
Impairment loss on investment securities reversed		<b>1,843,838</b>	3,089,978
Impairment loss on property, plant and equipment (recognised) reversed		<b>(3,185,376)</b>	654,354
Surplus (deficit) on revaluation of investment properties		<b>460,000</b>	(45,451,938)
Gain on disposal of investment properties		<b>2,376,620</b>	-
Profit (loss) from operations	3	<b>15,138,095</b>	(21,873,823)
Finance costs		<b>(1,653,146)</b>	(5,693,260)
Impairment loss on interest in leisure-entertainment complex		-	(68,499,999)
Gain on disposal of subsidiaries and discontinued operations		<b>27,851,326</b>	-
Gain on deemed disposal of an associate		<b>7,663,747</b>	3,278,482
Share of results of associates		<b>9,873,233</b>	7,692,350
Share of results of a jointly controlled entity		<b>(4,269,793)</b>	7,500
Profit (loss) before taxation		<b>54,603,462</b>	(85,088,750)
Taxation	4	<b>(1,284,569)</b>	2,691,694
Profit (loss) before minority interests		<b>53,318,893</b>	(82,397,056)
Minority interests		<b>(1,042,695)</b>	(2,362,852)
Profit (loss) for the year		<b>52,276,198</b>	(84,759,908)
Earnings (loss) per share			
Basic	5	<b>15.8 cents</b>	(25.6 cents)

### Notes:

#### 1. Potential impact arising from the recently issued accounting standards

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not yet adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

#### 2. Turnover and segment information

##### Business segments

For management purposes, the Group is currently organised into four operating divisions – securities investment and trading, property development and investment, entertainment and leisure, and industrial. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Securities investment and trading	-	investment and trading in securities.
Property development and investment	-	properties development, investment and sale.
Entertainment and leisure	-	operation of amusement park.
Industrial	-	manufacturing and sales of garments and commodity concrete.

Segment information about these businesses is presented below.

### 2004

	Continuing operations			Discontinued operation	Consolidated HK\$
	Securities investment and trading HK\$	Property development and investment HK\$	Industrial HK\$	Entertainment and leisure HK\$	
<b>TURNOVER</b>					
External sales	<u>4,152,800</u>	<u>1,723,902</u>	<u>67,445,889</u>	<u>71,930</u>	<u>73,394,521</u>
<b>RESULTS</b>					
Segment results	<u>7,653,562</u>	<u>2,641,993</u>	<u>(438,832)</u>	<u>280,931</u>	10,137,654
Other operating income	4,627,530	125,397	194,320	53,194	5,000,441
Profit from operations					15,138,095
Finance costs					(1,653,146)
Gain on disposal of subsidiaries and discontinued operations	-	(3,213,856)	-	31,065,182	27,851,326
Gain on deemed disposal of an associate					7,663,747
Share of results of associates					9,873,233
Share of results of a jointly controlled entity	-	(4,269,793)	-	-	(4,269,793)
Profit before taxation					54,603,462
Taxation					(1,284,569)
Profit before minority interests					53,318,893

### 2003

	Continuing operations			Discontinued operation	Consolidated HK\$
	Securities investment and trading HK\$	Property development and investment HK\$	Industrial HK\$	Entertainment and leisure HK\$	
<b>TURNOVER</b>					
External sales	<u>1,379,377</u>	<u>8,926,389</u>	<u>74,167,825</u>	<u>204,661</u>	<u>84,678,252</u>
<b>RESULTS</b>					
Segment results	<u>8,352,227</u>	<u>(41,939,353)</u>	<u>4,787,392</u>	<u>(64,734,288)</u>	(93,534,022)
Other operating income	83,902	68,746	1,571,458	1,436,094	3,160,200
Loss from operations after impairment loss on interest in leisure-entertainment complex					(90,373,822)
Finance costs					(5,693,260)
Gain on deemed disposal of an associate					3,278,482
Share of results of associates					7,692,350
Share of results of a jointly controlled entity	-	7,500	-	-	7,500
Loss before taxation					(85,088,750)
Taxation					2,691,694
Loss before minority interests					(82,397,056)

#### Geographical segments

The Group's operations are located in Hong Kong, PRC and Singapore.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2004 HK\$	2003 HK\$
Hong Kong	15,408,031	16,791,262
Singapore	841,844	7,294,512
PRC	28,376,213	30,615,590
Japan	28,768,433	29,976,888
	<u>73,394,521</u>	<u>84,678,252</u>

#### 3. Profit (loss) from operations

	2004 HK\$	2003 HK\$
Profit (loss) from operations has been arrived at after charging:		
Auditors' remuneration	763,144	785,875
Depreciation	3,714,426	3,857,958
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of HK\$1,040,244 (2003: HK\$1,574,681)	12,064,753	13,814,813
Minimum lease payments for operating lease in respect of rented premise	75,250	-
Net exchange loss and after crediting:	-	1,048,880
Interest income	271,336	154,127
Net exchange gain	188,746	-
Rental income from investment properties, less outgoings of HK\$862,370 (2003: HK\$3,353,708)	861,532	5,572,681

#### 4. Taxation

	2004 HK\$	2003 HK\$
Current tax:		
PRC	302,266	367,680
(Over)/underprovision in prior years:		
Hong Kong	-	(3,924,607)
Other jurisdictions	-	98,047
Taxation attributable to the Company and its subsidiaries	302,266	(3,458,880)
Share of taxation attributable to associates	982,303	767,186
	<u>1,284,569</u>	<u>(2,691,694)</u>

Taxation arising in PRC and other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries operating in Hong Kong have no assessable profits for both years.

#### 5. Earnings (loss) per share

The calculation of basic earning (loss) per share is based on the profit for the year of HK\$52,276,198 (2003: loss of HK\$84,759,908) and on 331,668,905 (2003: 331,668,905) ordinary shares in issue during the year.

The effect of dilutive potential ordinary shares of an associate is considered to be insignificant to the Group.

### MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT RESULTS

For the year ended 31st December, 2004, the Company and its subsidiaries (the "Group") had recorded a turnover from operations of approximately HK\$73.39 million, a decrease of 13% from the previous year (2003: HK\$84.68 million) due primarily to the reduction of rental income after the disposal of two investment properties during the year, particulars of which were set out in Business Review and Prospects section below.

However, there was a dramatic improvement in the net profit attributable to shareholders approximately HK\$52.28 million (2003: net loss HK\$84.76 million). This significant improvement was achieved by disposal of investment properties and non-core assets as set out in Material Acquisitions and Disposals of Subsidiaries and Associated Companies section below. The earning per share for the year ended 31st December, 2004 was HK15.8 cents (2003: Loss per share (HK25.6 cents)).

#### DIVIDEND

No interim dividend was paid during the year and no final dividend was recommended by the directors.

#### LIQUIDITY AND FINANCIAL RESOURCES

The Group's capital expenditures, investments and business activities were primarily financed by net cash inflow generated from operating activities.

As at 31st December, 2004, the Group's bank and other loans amounted to approximately HK\$6.5 million (2003: HK\$150 million) of which all repayable within one year (2003: HK\$141.4 million) and nil (2003: HK\$8.6 million) repayable after one year. The loans' interest rates were in line with the best lending rate either charged at the Prime Rate or the Hong Kong Inter-Bank Offer Rate. The Group did not have any financial instruments used for hedging purpose.

The Group's bank and other loans are primarily denominated in United States dollars. As the Group's business transactions, assets and liabilities were mainly denominated in Hong Kong dollars, Reminbi and United States dollars, the Group considered that the exposures to foreign exchange risks were minimal.

After the disposal of non-core assets, the liquidity of the Group had greatly improved as evidenced by the current ratio (current assets to current liabilities) increased to 1.64 (2003: 0.31). The Group's gearing ratio (total bank and other loans to shareholders' equity) decreased to 5.6% (2003: 205%).

#### **PLEDGE OF ASSETS**

At 31 December 2004, the Group had mortgaged or pledged certain investment properties, plants, equipments, listed investments and bank deposits with an aggregate net book value of approximately HK\$44.2 million (2003: HK\$199.7 million) to banks, financial institutions and loan creditors for obtaining banking facilities, margin trading facilities, overdraft and revolving loan facilities, term loan facilities and loan facilities to the Group to the extent of approximately HK\$62.8 million (2003: HK\$182.3 million).

#### **CONTINGENT LIABILITIES**

At 31 December 2004, the Group had no significant contingent liabilities (2003: Nil).

#### **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

On 22 December 2003, a conditional sale and purchase agreement was entered into whereby, inter alia, the Company and Mr. Dennis Chiu, an executive director of the Company agreed to dispose of their entire interests in Tang City Properties Pte Ltd to a wholly-owned subsidiary of Far East Consortium International Limited. The disposal was completed on 16 February 2004.

On 21 April 2004, the Company and Mr. Deacon Chiu, Chairman of the Board and an executive director of the Company, entered into a conditional sale and purchase agreement pursuant to which the Company had agreed to sell Laichi Kok Amusement (Haimen) Co. Ltd., a wholly foreign owned enterprise incorporated in the People's Republic of China, that was wholly-owned by the Company, to Mr. Deacon Chiu. The disposal was completed on 21 June 2004. Details of the disposal were set out in a circular of the Company dated 28 May 2004.

On 19 November 2004, the Company agreed to dispose of its entire interests in Tang Dynasty City Pte. Limited ("TDC") to Mr. Deacon Chiu, being chairman of the Board and an executive director of the Company, at a cash consideration of HK\$1. On the same day, the Company further agreed to dispose of its entire interests in RFC Far East Limited ("RFC Far East") to Mr. Dennis Chiu, being an executive director of the Company at a consideration of US\$1. These connected transactions, which were exempted from reporting, announcement and/or independent shareholders' approval requirements, were both completed on 19 November 2004.

#### **EMPLOYEES**

At 31 December 2004, the Group had approximately 600 employees. The Group offers its employees competitive remuneration packages based on industry's practices and performance of individual employee. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. The Group had not adopted any share option scheme to which employees might participate.

#### **BUSINESS REVIEW AND PROSPECTS**

The Board is pleased to report that the Chinasoft International Limited ("Chinasoft"), an associate of the Group listed in the Growth Enterprise Market, continued to deliver remarkable contribution to the Group's Information Technology business. The operational result of Chinasoft has recorded significant growth both in terms of turnover and net profit. Entrusted by the State Tobacco Control Bureau and the State Audit Office as strategic partner in software solutions provision, Chinasoft has further strengthened itself as the leading provider of e-government solutions. With Chinasoft's active participation in the research and development of state bureaus' projects including "e-Insurance" and "e-Quality", the Group is confident that Chinasoft will continue to generate steady growth and sustainable income to the Group in the coming year.

For the industrial segment, Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited has recorded a decrease in turnover by 11% from previous year. With the abolishment of textile and clothing quotas system, the impact of such changes in our export garment trade to Japan will depend on the market reaction.

Notwithstanding the economic control measures implemented in China on selective industries, Suzhou Goldtract Commodity Concrete Company Limited has only recorded a slight drop of 6% in turnover in comparison with last year. With China's economic growth remaining positive and the demand for housing steady, and the Group is confident about its long term investments in Mainland China.

For the property investment segment, two investment properties were disposed during the year; one at Hunghom Commercial Centre in June 2004 and the other at Wealthy Garden in September 2004. Particulars of the disposal of investment properties have been set out in circulars of the Company dated 28 May 2004. Both properties were formerly used for cinema operation, an entertainment and leisure-related business.

On the other hand, lease modification from cinema usage to commercial usage for the cinema (known as Golden Flower Theatre) at Kwai Chung Fa Yuen, Kwai Chung had been approved by the District Lands Department. Upon completion of the modification works, the rental incomes and proceeds from possible sale of individual shopping arcade unit are expected to be promising with the upraising property market in Hong Kong.

The Group has continued to restructure its operations by disposing of its non-core assets since 2003. As a result, the Group had disposed of its entire interests in Tang Dynasty City in Singapore and Laichi Kok Amusement Park in China. Furthermore, two investment properties, as mentioned above, were disposed during the year.

With a relatively stable global environment and continued positive Central Government policies, following with the opening of the Hong Kong Disney theme park this year and increased consumer confidence would mean that Hong Kong's economy will see healthy growth this year. The board will continue to adopt a conservative but proactive approach in its investment in information technology, manufacturing industries and capture business opportunities in the Mainland China in the coming year.

#### **SUBSEQUENT EVENTS**

On 21 September 2004, a special resolution was passed in an extraordinary general meeting pursuant to which and with the sanction of an Order of High Court of the Hong Kong Special Administrative Region dated 25 January 2005, every five (5) issued shares of the Company are consolidated into one (1) consolidated share. The nominal value of each issued consolidated share was then reduced from HK\$1.00 each to HK\$0.01 each by way of a reduction of capital pursuant to sections 48B and 58 of the Companies Ordinance of Hong Kong. Accordingly, the issued share capital of the Company was reduced from an amount of HK\$331,668,905 to HK\$663,338 represented by 66,333,781 consolidated shares. Details of the capital reorganization have been set out in a circular and a supplemental circular of the Company dated 28 May 2004 and 27 August 2004 respectively.

#### **PURCHASE, SALE AND REDEMPTION OF LISTING SECURITIES**

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

#### **CORPORATE GOVERNANCE**

The Company has complied throughout the year ended 31st December, 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except that the independent non-executive directors are not appointed for a specific term.

#### **AUDIT COMMITTEE**

The Company's audit committee comprising independent non-executive directors and non-executive director. The principal duties of the audit committee are reviewing the internal controls and the financial reporting requirements of the Group. The audit committee is satisfied with the Company's internal control procedures and the financial reporting disclosures.

#### **BOARD OF DIRECTORS**

As at the date of this announcement, the Board of Directors of the Company comprises of executive directors namely Mr. Deacon Te Ken Chiu, Mr. Duncan Chiu, Mr. Dennis Chiu; non-executives directors namely Dato' David Chiu, Mr. Daniel Tat Jung Chiu, Mr. Derek Chiu, Mr. Desmond Chiu, Ms. Margaret Chiu and independent non-executive directors namely Mr. Chi Man Ma, Dr. Lee G. Lam and Mr. Ryan Yen Hwung Fong.

#### **PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

A detailed annual results containing the information required by paragraph 45 (1) to (3) of Appendix 16 to the Listing Rules will be released on the website of The Stock Exchange of Hong Kong Limited in due course.

By order of the Board

**Duncan Chiu**

*Managing Director and Chief Executive Officer*