



遠東控股國際有限公司

Far East Holdings International Limited

(Incorporated in Hong Kong with limited liability)

(Stock code: 36)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30th JUNE, 2007

INTERIM RESULTS

The board of directors (the “Board”) of Far East Holdings International Limited (the “Company”) herein present their unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2007 together with comparative amounts. The interim financial report has not been audited, but has been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2007

		Unaudited six months ended 30th June,	
		2007	2006
	Notes	HK\$’000	HK\$’000
Turnover	2	39,248	42,081
Cost of sales		(32,203)	(39,415)
Gross profit		7,045	2,666
Other income		949	672
Distribution costs		(74)	(188)
Administrative expenses		(6,962)	(7,629)
Finance costs		(498)	(277)
Other expenses		–	(176)
Increase in fair value of held-for-trading investments		1,089	322
Gain on disposal of available-for-sale investments		609	–
Gain on investment in convertible notes		3,856	–
Increase in fair value of investment properties		11,151	1,422
Gain on disposal of interest in an associate		28,148	–
Net loss on deemed disposal of an associate		(8,774)	(3,149)
Share of results of associates		2,115	4,978
Profit (loss) before taxation	3	38,654	(1,359)
Taxation	4	(315)	(38)
Profit (loss) for the period		38,339	(1,397)
Attributable to:			
Equity holders of the Company		38,272	(1,348)
Minority interests		67	(49)
		38,339	(1,397)
Dividend	5	–	–
Earnings (loss) per share			
Basic	6	35.0 HK cents	(1.3 HK cents)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2007

		30th June, 2007 (unaudited) HK\$'000	31st December, 2006 (audited) HK\$'000
NON-CURRENT ASSETS			
Investment properties		80,440	41,040
Property, plant and equipment		11,384	11,735
Prepaid lease payments		1,091	1,132
Interests in associates		28,905	39,594
Available-for-sale investments		50,572	12,512
Deposits paid for acquisition of property		–	2,700
Investment in convertible notes		–	4,962
		<u>172,392</u>	<u>113,675</u>
CURRENT ASSETS			
Prepaid lease payments		82	82
Held-for-trading investments		36,202	38,023
Inventories		6,091	6,444
Trade and other receivables	7	23,434	3,528
Amount due from an associate		640	640
Amount due from a minority shareholder		3,747	4,747
Amounts due from related companies		–	16,143
Tax prepaid		296	104
Pledged bank deposits		34,059	4,210
Deposits held at financial institutions		4,800	3,171
Bank balances and cash		21,704	40,527
		<u>131,055</u>	<u>117,619</u>
CURRENT LIABILITIES			
Trade and other payables	8	9,719	10,159
Amounts due to directors		1,466	1,392
Amount due to a minority shareholder		297	297
Amounts due to related companies		1,557	1,619
Bank and other loans		10,765	10,887
Obligations under a finance lease			
– due within one year		128	120
		<u>23,932</u>	<u>24,474</u>
NET CURRENT ASSETS		<u>107,123</u>	<u>93,145</u>
		<u><u>279,515</u></u>	<u><u>206,820</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

As at 30th June, 2007

	30th June, 2007 (unaudited) <i>HK\$'000</i>	31st December, 2006 (audited) <i>HK\$'000</i>
	<i>Notes</i>	
CAPITAL AND RESERVES		
Share capital	1,095	1,095
Reserves	241,989	187,981
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	243,084	189,076
Minority interests	16,850	16,477
	<hr/>	<hr/>
	259,934	205,553
	<hr/>	<hr/>
NON-CURRENT LIABILITIES		
Bank and other loans	18,083	–
Obligations under a finance lease		
– due after one year	184	250
Deferred taxation	1,314	1,017
	<hr/>	<hr/>
	19,581	1,267
	<hr/>	<hr/>
	279,515	206,820
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Application of New and Revised Hong Kong Financial Reporting Standards

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2006 except as described below:

In current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs"), issued by the HKICPA that is effective for accounting periods beginning on or after 1st January, 2007. The adoption of the new HKFRSs has had no material effect on how the results and financial position of the Group for the current and prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 23 (Revised)	Borrowing Costs ²
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC) – INT 11	HKFRS2 – Group and Treasury Share Transactions ³
HK(IFRIC) – INT 12	Service Concession Arrangements ⁴

¹ Effective for annual periods beginning on or after 1st January, 2007.

² Effective for annual periods beginning on or after 1st January, 2009.

³ Effective for annual periods beginning on or after 1st March, 2007.

⁴ Effective for annual periods beginning on or after 1st January, 2008.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

2. Business and geographical segments

Business segments

	Continuing operations							
	Securities investment and trading		Property development and investment		Industrial		Consolidated	
	Unaudited six months ended 30th June,							
	2007	2006	2007	2006	2007	2006	2007	2006
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
TURNOVER								
External sales	<u>23,570</u>	<u>15,750</u>	<u>764</u>	<u>441</u>	<u>14,914</u>	<u>25,890</u>	<u>39,248</u>	<u>42,081</u>
RESULTS								
Segment results	<u>6,358</u>	<u>(2,690)</u>	<u>10,117</u>	<u>1,921</u>	<u>239</u>	<u>(2,814)</u>	<u>16,714</u>	<u>(3,583)</u>
Other income	845	600	79	3	25	69	949	672
Finance costs							(498)	(277)
Gain on disposal of interest in an associate							28,148	–
Net loss on deemed disposal of an associate							(8,774)	(3,149)
Share of results of associates							<u>2,115</u>	<u>4,978</u>
Profit (loss) before taxation							<u>38,654</u>	<u>(1,359)</u>
Taxation							<u>(315)</u>	<u>(38)</u>
Profit (loss) for the period							<u>38,339</u>	<u>(1,397)</u>

Geographical segments

	Sales revenue by geographical market	
	Unaudited six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Hong Kong	19,827	18,870
The PRC	331	11,503
Japan	19,090	11,708
	<u>39,248</u>	<u>42,081</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

3. Profit (loss) before taxation

	Unaudited six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Profit (loss) before taxation has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	41	102
Auditor's remuneration	301	348
Cost of inventories recognised as expense	13,797	26,281
Depreciation	1,467	2,006
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of HK\$764,500 (2006: HK\$515,243)	5,500	7,214
Exchange (gain) loss, net	(94)	50
Loss on disposal of property, plant and equipment	–	3
Operating lease payment in respect of rented premises	168	156
Share of tax of associates (included in share of results of associates)	972	1,052
Write off of amount due from an associate	–	22
and after crediting:		
Dividend income from available-for-sale investment	71	67
Rental income from investment properties, less outgoings of HK\$16,881 (2006: HK\$29,843)	748	411
	<u>748</u>	<u>411</u>

4. Taxation

	Unaudited six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
The charge comprises:		
PRC enterprise income tax:		
Current period	(18)	–
	<u>(18)</u>	<u>–</u>
Deferred taxation	(297)	(38)
	<u>(315)</u>	<u>(38)</u>

PRC enterprise income tax is calculated at a rate of 24%. Where the expert sales of the relevant entity exceeds a certain percentage, that entity will entitle to enjoy a concession tax rate of 12%.

5. Dividend

The directors do not recommend the payment of any interim dividend for the six months ended 30th June, 2007 (six months ended 30th June, 2006: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

6. Earnings (loss) per share

The calculation of basic earnings (loss) per share is based on the profit attributable to equity holders of the Company of HK\$38,272,000 (six months ended 30th June, 2006: loss of HK\$1,348,000) and on 109,450,595 (six months ended 30th June, 2006: the weighted average number of 101,259,774) ordinary shares in issue during the period.

No adjustment has been made for the potential ordinary shares of the associate as the effect in both periods are anti-dilutive.

7. Trade and other receivables

For sales of goods, the Group has a policy of allowing a credit period of 30 days to 90 days to its trade customers. Rentals receivable from tenants and service income from customers are payable on presentation of invoices. The aged analysis of trade receivable is as follows:

	THE GROUP	
	30th June, 2007 (unaudited) HK\$'000	31st December, 2006 (audited) HK\$'000
31 – 60 days	834	894
61 – 90 days	313	–
Over 90 days	47	242
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Total trade receivables	1,194	1,136
Other receivables	22,240	2,392
	<hr/>	<hr/>
	23,434	3,528
	<hr/> <hr/>	<hr/> <hr/>

8. Trade and other payables

The aged analysis of trade payables is as follows:

	THE GROUP	
	30th June, 2007 (unaudited) HK\$'000	31st December, 2006 (audited) HK\$'000
31 – 60 days	449	520
Over 90 days	74	3
	<hr/>	<hr/>
Total trade payables	523	523
Other payables	9,196	9,636
	<hr/>	<hr/>
	9,719	10,159
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MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT

CORPORATE RESULTS

During the six months period ended 30th June, 2007 (the "Period") the Company and its subsidiaries (the "Group") reported a turnover of HK\$39.25 million (2006: HK\$42.10 million), representing a decrease of 6.77% over corresponding period in 2006. The Group's profit attributable to equity holders of the Company amounted to HK\$38.27 million (2006: loss of HK\$1.35 million) representing a turnaround from a loss to the corresponding period in 2006.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30th June, 2007, the Group had cash and bank balances, pledged deposits and deposits held at financial institutions amounting to HK\$60.56 million (2006: HK\$47.91 million). Basically, the Group's funding policy is to finance the business operations with internally generated cash and bank facilities. As at 30th June, 2007, the Group had total borrowings of HK\$29.16 million (2006: HK\$11.26 million) of which HK\$10.89 million (2006: HK\$11.01 million) was payable within one year and the remaining was payable after one year and was fully secured. The Group's borrowings were denominated in Hong Kong dollar, Japanese Yen and United States dollar. 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 and Current Ratio

The Group's gearing ratio (total bank and other loans to shareholders' equity) as at 30th June, 2007 slightly raised to 12% (2006: 5.95%). While the Group's current ratio (current assets to current liabilities) as at 30th June, 2007 has been maintained at a healthy level of 5.48 (2006: 4.81). The Group continues to implement prudent financing policy to reduce short-term borrowing as much as possible in order to ensure that the Group will not be affected by short-term uncertainties and exchange rate fluctuation.

Capital Structure

During the period, there was no change to the share capital of the Company. As at 30th June, 2007, the total number of the issued ordinary shares was 109,450,595 shares.

Pledge of Assets

As at 30th June, 2007, certain assets of the Group with an aggregate carrying value of approximately HK\$95.3 million (2006: HK\$41.3 million) were pledge to secure loans facilities utilized by the Group.

Exposure on Foreign Exchange Fluctuations

The Group had no significant exposure to foreign exchange fluctuation during the period.

Contingent Liabilities and Commitments

Contingent Liabilities

As at 30th June, 2007, the Group had no contingent liabilities (2006: Nil).

Capital Commitments

The Group had no capital commitment as at 30th June, 2007 (2006: HK\$45 million).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 26th January, 2007, the Group disposal of 20 million shares held in Chinasoft International Limited (the “Chinasoft”), to Oriental Patron Securities Limited, an independent third party for a consideration of HK\$35.4 million. Accordingly, the equity interest in this associate held by the Group was reduced from 19.78% to approximately 17.15% of the issued share capital of Chinasoft.

On 29th January, 2007, River Joy Limited, a wholly-owned subsidiary of the Company purchased a Property at Flat C on 22nd Floor of Tower 3, Tregunter, with car parking space No. 26 on level 5 of Tower 3, No. 14 Tregunter Path, Hong Kong from Lee Lo Miu Ling and Lee Marcus at a total consideration of HK\$27 million. The Property had a total gross floor area of approximately 3,001 sq.ft. approximately HK\$8,997 per sq. ft..

In March 2007, the Group converted the entire HK\$8.3 million principal amount of convertible notes issued by Golife Concepts Holdings Limited (the “Golife”) to shares. Thus the Group had increased its equity interest in Golife from 6.04% to 15.28%.

On 27th April, 2007, Power Profit Far East Limited (the “Power Profit”) a wholly-owned subsidiary of the Company and First Holdings Consortium Ltd (the “First Holdings”) and other subscribers have entered into the Shareholders Agreement pursuant to which Power Profit irrevocably subscribes for approximately 1.92 million shares representing 14.85% equity interest in the enlarged issued share capital of the First Holdings as at the subscription date and undertakes to fully pay up the Subscription Shares at the Subscription Price of HK\$15 million.

BUSINESS REVIEW

The Group has reduced its sharholdings in Chinasoft to approximately 130.13 million shares and its holdings as at 30th June, 2007 is 16.06%. Chinasoft has satisfactory results for the first half of 2007 with approximately turnover of RMB326.76 million and net profit of RMB14.83 million (contributable to the Group is HK\$2.12 million). After the successful acquisition of Hinge Global Resources Inc. (the “HGR”) on 15th August, 2007, Chinasoft will consolidate its position as a leading IT solution provider in the PRC. We expect to see rapid growth in this company and we will remain as strategic shareholder of the company.

With a view of continuing expansion of the Hong Kong economy, together with the growth of domestic average salary, the Group has positive views towards the domestic consumption and personal finance business, therefore, an investment was made to a personal financing company, First Holdings, in April, 2007.

Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited (the “Jiangsu Bang Bang”) recorded a turnover of HK\$14.9 million (2006: HK\$14.5 million), representing a slightly rise of 2.76% compared with the corresponding period in 2006. With the continued appreciation of Renminbi, rise of labor costs and fierce competition, garment export operation of the Group will face a difficult environment.

For Investment properties, gross rental income for the period, raised by 90% to HK\$0.76 million (2006: HK\$0.4 million) compared with the corresponding period in 2006. Overall rental income growth was primarily driven by increased rents for new lease and renewal. The property market will continue to benefit from the improving economic growth and a favourable interest rate environment.

PROSPECTS

The impacts on the global economy, as caused by the subprime mortgage issue in the U.S., are still unknown. So far, the Group sees no immediate negative impacts on its businesses and its associated companies. However, the economy in China is expected to remain bullish, the Board has strong confidence that China will continue to see exponential growth in the near future. Our Group’s investment focus will remain with companies that can benefit from the rise of China.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at an extraordinary general meeting held on 8th February 2007, the name of the Company was changed from Far East Technology International Limited 遠東科技國際有限公司 to Far East Holdings International Limited 遠東控股國際有限公司 with effect from 27th February, 2007. The Board believed this would more appropriately represent the Group’s business nature.

EMPLOYEE

As at 30th June, 2007, the Group had approximately 500 employees in Hong Kong and the People’s Republic of China (the “PRC”) (2006: 500 employees) with majority of these employees employed in the PRC. Employees are remunerated in accordance with nature of the job and market conditions. Staff incentive bonus and discretionary employee share options would be granted to reward and motivate those well performed employees.

POST BALANCE SHEET EVENT

The Group had the following significant subsequent events:

On 15th August, 2007, Chinasoft allotted and issued approximately 170.87 million consideration shares to HGR at a price of HK\$1.44 per consideration share. Upon the completion of the allotment and issue of shares to HGR, the equity interest in this associate held by the Group is further reduced from 16.06% to approximately 13.27% of the issued share capital of Chinasoft. The directors of the Group expected that the group would be no longer to exert significant influence over Chinasoft as HGR had appointed many directors in the Chinasoft’s board of directors and the Group’s equity interest in Chinasoft was greatly diluted by Chinasoft’s allotment and issue of consideration shares to HGR.

On 31st August, 2007, Peterfame Company Limited, a wholly-owned subsidiary of the Company disposed a property at Lower Ground to 3rd Floor, Kwai Chung Fa Yuen, Nos. 50-56 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong to Star Way Properties Limited at a consideration of HK\$27.6 million.

On 18th September 2007, Jubilee Star Limited (“Jubilee Star”), a wholly-owned subsidiary of the Company, and China Aviation Supplies Import and Export Group Corporation entered into the new joint venture agreement for transformation of Beijing Kailan Aviation Technology Co., Ltd. (“Beijing Kailan”) into a sino-foreign equity joint venture by capital injection of approximately RMB38 million into Beijing Kailan by Jubilee Star, of which RMB30.71 million shall be used for the increase in the registered capital and RMB7.29 million as capital reserve.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2007 (2006: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE

The Company has complied with Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2007, with deviation from code provision A.4.1 of the Code in respect of the service term and rotation of Directors.

None of the existing non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all non-executive directors of the Company are subject to the retirement by rotation and re-election at each annual general meeting under Articles 79 and 80 of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s Corporate Governance Practices are no less exacting than those in the Code.

AUDIT COMMITTEE

The audit committee of the Company comprised of one non-executive director and two independent non-executive directors namely, Mr. Derek Chiu, Dr. Lee G. Lam and Mr. Ryan Yen Hwung Fong respectively.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the Group’s unaudited interim results for the six months ended 30th June, 2007.

REMUNERATION COMMITTEE

The Company had established a remuneration committee (the “Committee”) with written terms of reference pursuant to the provisions set out in the Code. The Committee comprised two independent non-executive directors, namely Dr. Lee G. Lam and Mr. Ryan Yen Hwung Fong and the managing director, Mr. Duncan Chiu of the Company. The Committee is principally responsible for formulation and making recommendation to the board on the Group’s policy and structure for all remuneration of directors and senior management.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June, 2007.

On behalf of the Board

DUNCAN CHIU

Managing Director and Chief Executive Officer

Hong Kong, 18th September, 2007

As at the date of this announcement, the executive directors are Deacon Te Ken Chiu J.P., Mr. Duncan Chiu and Mr. Dennis Chiu; the non-executive directors are Tan Sri Dato' David Chiu, Mr. Daniel Tat Jung Chiu, Mr. Derek Chiu, Mr. Desmond Chiu, Ms. Margaret Chiu and Ms. Min Tang; and the independent non-executive directors are Dr. Lee G. Lam, Mr. Ryan Yen Hwung Fong and Mr. Hing Wah Yim.