



# FAR EAST TECHNOLOGY INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

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

## FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2002

### 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, 2002 together with the comparative figures for the corresponding period in 2001 are set out as follows:

### CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2002

	<i>Notes</i>	<b>Year ended 31st December,</b> <b>2002</b> <b>HK\$</b>	2001 HK\$
Turnover	3	<b>90,124,121</b>	147,196,673
Cost of sales		<b>(64,699,453)</b>	(110,678,429)
Gross profit		<b>25,424,668</b>	36,518,244
Other operating income		<b>3,607,293</b>	12,585,610
Distribution costs		<b>(574,295)</b>	(451,651)
Administrative expenses		<b>(23,760,040)</b>	(37,350,598)
Other operating expenses		<b>(11,842,967)</b>	(24,889,919)
Impairment loss on investments in securities		<b>(30,358,368)</b>	(33,100,000)
Impairment loss on property, plant and equipment		<b>(24,751,626)</b>	(914,058)
Loss from operations		<b>(62,255,335)</b>	(47,602,372)
Impairment loss on the interest in leisure-entertainment complex		<b>(68,500,000)</b>	–
Profit on disposal of a subsidiary		–	3,312,816
Loss on disposal of discontinued operations	4	<b>(46,817,276)</b>	–
Loss on disposal of an associate		–	(8)
Finance costs		<b>(14,722,776)</b>	(15,684,906)
Share of results of associates		<b>6,776,638</b>	1,694,551
Share of results of a jointly controlled entity		<b>824,047</b>	91,986
Loss before taxation		<b>(184,694,702)</b>	(58,187,933)
Taxation	6	<b>5,386,729</b>	(1,031,044)
Loss before minority interests		<b>(179,307,973)</b>	(59,218,977)
Minority interests		<b>66,433</b>	2,543,657
Loss for the year		<b>(179,241,540)</b>	(56,675,320)
Loss per share			
– Basic	7	<b>(54.0 cents)</b>	(17.1 cents)

*Notes:*

**1. Qualified opinion arising from limitation of audit scope about interest in leisure–entertainment complex**

The auditors were unable to obtain sufficient information and explanation as to assess whether the recoverable amount of HK\$68,500,000 in respect of the Group’s interest in a leisure-entertainment complex as at 31st December, 2002 has been appropriately determined in accordance with the requirements of SSAP 31 “Impairment of Assets”.

**2. Basis of presentation and comparative figures**

The Group has adopted the following new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants in preparation of the financial statements for the current year. Accordingly, certain comparative figures for the prior year have been restated in order to achieve a consistent presentation.

SSAP 11 (Revised) “Foreign Currency Translation”;

SSAP 15 (Revised) “Cash Flow Statements”;

SSAP 33 “Discontinuing Operations”;

SSAP 34 “Employee Benefits”.

**3. Turnover and segment information**

*Business Segments*

For management purposes, the Group is currently organised into four operating divisions – Securities Investment, 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 – investment in shares and other securities

Property development and investment – properties development, investment in properties and property rental

Entertainment and leisure – operation of golf resort complex, restaurant and amusement park

Industrial – garments manufacturing and commodity concrete manufacturing

Segment information about these businesses is presented below:

**2002**

	Securities investment 2002 HK\$	Property development and investment 2002 HK\$	Entertainment and leisure 2002 HK\$	Industrial 2002 HK\$	Consolidated 2002 HK\$
<b>TURNOVER</b>					
External sales, being total turnover	<u>5,080,198</u>	<u>11,914,881</u>	<u>14,410,665</u>	<u>58,718,377</u>	<u>90,124,121</u>
<b>RESULT</b>					
Segment results	<u>(34,111,100)</u>	<u>5,691,579</u>	<u>(107,200,590)</u>	<u>1,257,483</u>	(134,362,628)
Other operating income	-	40,224	3,449,707	117,362	<u>3,607,293</u>
Loss from operations after impairment loss on interest in leisure-entertainment complex					(130,755,335)
Loss on disposal of a subsidiary	-	-	(46,817,276)	-	(46,817,276)
Finance costs					(14,722,776)
Share of results of associates	-	-	-	6,776,638	6,776,638
Share of results of a jointly controlled entity	-	-	824,047	-	<u>824,047</u>
Loss before taxation					(184,694,702)
Taxation					<u>5,386,729</u>
Loss after taxation					<u>(179,307,973)</u>

2001

	Securities investment 2001 <i>HK\$</i>	Property development and investment 2001 <i>HK\$</i>	Entertainment and leisure 2001 <i>HK\$</i>	Industrial 2001 <i>HK\$</i>	Eliminations 2001 <i>HK\$</i>	Consolidated 2001 <i>HK\$</i>
<b>TURNOVER</b>						
External sales	25,900,331	38,666,469	24,799,946	57,829,927	–	147,196,673
Inter-segment sales	<u>119,427</u>	<u>–</u>	<u>132,781</u>	<u>–</u>	<u>(252,208)</u>	<u>–</u>
Total turnover	<u>26,019,758</u>	<u>38,666,469</u>	<u>24,932,727</u>	<u>57,829,927</u>	<u>(252,208)</u>	<u>147,196,673</u>

Inter-segment sales are charged at prevailing market rates.

### RESULT

Segment results	<u>(34,755,534)</u>	<u>4,829,489</u>	<u>(33,572,462)</u>	<u>3,310,525</u>	<u>–</u>	(60,187,982)
Other operating income	3,087,954	3,104,293	6,011,366	381,997		<u>12,585,610</u>
Loss from operations						(47,602,372)
Profit on disposal of a subsidiary	–	–	3,312,816	–		3,312,816
Loss on disposal of an associate	–	–	(8)	–		(8)
Finance costs						(15,684,906)
Share of results of associates	–	–	–	1,694,551		1,694,551
Share of results of a jointly controlled entity	–	–	91,986	–		<u>91,986</u>
Loss before taxation						(58,187,933)
Taxation						<u>(1,031,044)</u>
Loss after taxation						<u>(59,218,977)</u>

### *Geographical segments*

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

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	
	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Hong Kong	<b>7,341,913</b>	45,599,013
Malaysia	<b>11,149,635</b>	39,290,878
Singapore	<b>12,559,223</b>	21,618,454
PRC	<b>18,454,334</b>	19,459,688
Japan	<b>40,619,016</b>	21,228,640
	<u><b>90,124,121</b></u>	<u>147,196,673</u>

#### 4. Discontinued operations

- (i) In October 2002, the Group entered into a sale agreement to dispose of the subsidiaries, Successful Investments Limited and its subsidiaries, which carried out all of the Group's golf resort complex operations in Malaysia. The disposal was effected in order to generate the working capital for the Group. The disposal was completed on 31st December, 2002, on which date control of Successful Investments Limited passed to the acquirer.

A loss of HK\$47 million arose on the disposal of Successful Investments Limited, being the proceeds of disposal less the carrying amount of the subsidiary's net assets and the realisation of the exchange reserve. No tax charge or credit arose from the transaction.

- (ii) In July 2002, the Group ceased its restaurant operations in Singapore due to poor market condition and recurring losses in past years.

#### 5. Depreciation

	<b>2002</b> <i>HK\$</i>	2001 <i>HK\$</i>
Depreciation		
Owned assets	<b>7,216,592</b>	14,947,585
Assets held under finance leases	<b>152,752</b>	686,961
	<b><u>7,369,344</u></b>	<u>15,634,546</u>

#### 6. Taxation

	<b>2002</b> <i>HK\$</i>	2001 <i>HK\$</i>
The charge/(credit) comprises:		
The Company and subsidiaries		
Profits tax for the year		
Overseas	<b>751,311</b>	1,031,044
Overprovision in prior years		
Hong Kong	<b>(6,000,000)</b>	–
Deferred taxation		
Current year	<b>(138,040)</b>	–
	<b><u>(5,386,729)</u></b>	<u>1,031,044</u>

Overseas taxation 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 the subsidiaries incurred a tax loss in both years.

#### 7. Loss per share

The calculation of basic loss per share is based on the loss for the year of HK\$179,241,540 (2001: HK\$56,675,320) and on 331,668,905 (2001: 331,668,905) ordinary shares in issue during the year.

#### DIVIDENDS

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

## **FINANCIAL RESOURCES AND LIQUIDITY**

### **Borrowings 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\$154 million as at 31st December, 2002 (31/12/2001: HK\$232 million), in which HK\$146 million (31/12/2001: HK\$199 million) was payable within one year and HK\$8 million (31/12/2001: HK\$33 million) was payable after one year. HK\$151 million (31/12/2001: HK\$218 million) of the borrowings was secured while the remaining HK\$3 million (31/12/2001: HK\$14 million) was unsecured. The Group's borrowings are 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 31st December, 2002 was 99% (31/12/2001: 75%).

### **Current ratio**

The current ratio as at 31st December, 2002 was 0.25 (31/12/2001: 0.23).

### **Exchange rate**

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

### **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\$234 million (31/12/2001: HK\$437 million) together with the properties of the Company & its 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\$218 million (31/12/2001: HK\$352 million) and HK\$116 million (31/12/2001: HK\$240 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 (31/12/2001: HK\$148 million).

At the reporting date, there was no capital commitment authorised and contracted for the Group in respect of contribution to capital of investment (31/12/2001: Nil). The Group has no capital expenditure that has been authorised but not contracted for (31/12/2001: Nil).

### **Material acquisitions and disposals of subsidiaries and associated companies**

There was no material acquisition and disposal of subsidiaries and associated companies by the Group. The disposal of subsidiaries was set out in Note 4.

## **BUSINESS REVIEW AND PROSPECTS**

Business environment remained difficult for the year 2002, during which the Group underwent certain restructurings to reduce operation expenses and get rid of non-performing assets. In view of the weak property and retail business environment in South East Asia, the Board decided to reduce the Group's interests in this area and therefore had sold its holding interests in Seremban Golf Resort Berhad and ceased operation of the Rainforest Cafe restaurant. These actions had caused disappointing results in the year 2002 but the Board believes that this restructuring process is necessary and is for the best benefits of the Group and its shareholders in the long term.

### **Technology Division**

The associate company ChinaSoft FE International Information Technology Limited ("CSI") continued to achieve steady growth in terms of revenues and profits. With increasing government spendings on IT services, CSI is rightly positioned as one of the leading e-government solutions provider. To be one of the earliest and most experienced e-government software and services provider, CSI has expanded its sales into other provincial government departments and Economic and Technological Development Area in China. This is the reason for its surge in both revenue and profit in year 2002.

The company has planned to be listed on the GEM board of the Hong Kong market, but there is no concrete timetable of when about it will list. Estimated time schedule is around the 2nd half of 2003.

### **Property Division**

The rental incomes from Hong Kong was also affected by the downturn of the economy. Cinemas in Hong Kong had been converted into commercial use and had been rented out except the Mandarin Theatre in Hunghom.

Performance of the Golf Resort in Malaysia was disappointing. The market in Malaysia was weak and with decreasing spendings for the whole country we could not be optimistic with this operation in the coming year. The project was sold at end of the year.

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

### **Leisure and Entertainment Division**

The Group has ceased operation of its Rainforest Cafe restaurant in Singapore due to unsatisfactory performance over the years. The Board decided in June that the food and beverage sector in Singapore would remain weak and the market condition does not justify for the Company to carry on operation of its Rainforest Cafe restaurant.

Tang Dynasty City has not yet restarted its operations. During the year, 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 has to decide on which business model to take once the complex reopens. However, it is unlikely that the Group's interest in this leisure-entertainment complex is expected to be recovered in the near future so we have to further provide an impairment loss for our interest in Tang Dynasty City.

### **Industrial Division**

The Group's joint venture garment factory – Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited again see healthy returns from operation due to strong orders from Japan. We forecast the sales to remain stable for the near future. The company is planning to further expand its capacity by purchasing new production lines if the sales orders from overseas continue to grow.

Suzhou Goldtract Commodity Concrete Company Limited on the other hand, was operating at a loss. The company is seeking to move its operations to other city and sell the land to interested parties.

During this deflationary period of Hong Kong, the Company will continue to search for promising investment opportunities in China to diversify its holdings and at the same time to grow with China's surging economy. At the same time, we are strengthening our management team by bringing in people with professional expertise to run the field of new businesses that we are investing into.

When the market environment becomes more positive, we will be better prepared for the next upwave and increase our shareholders' returns.

#### **EMPLOYEE AND REMUNERATION POLICIES**

The number of employee of the Group as at 31st December, 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 year.

#### **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.

#### **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 45(3) of Appendix 16 of the Listing Rules will be released on the website of The Stock Exchange of Hong Kong Limited in due course.

On behalf of the Board  
**DUNCAN CHIU**  
*Joint Managing Director*

Hong Kong, 24th April, 2003

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Far East Technology International Limited (the “Company”) will be held at the Penthouse, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong on Tuesday, 27th May, 2003 at 3:00 p.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31st December, 2002.
2. To re-elect Directors and to fix their remuneration.
3. To re-appoint Auditors and to authorise the Directors to fix their remuneration.
4. To consider and, if thought fit, pass with or without modification, the following resolution as an Ordinary Resolution:

**“THAT:**

- (a) subject to paragraph (c) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$1.00 each in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to a Rights Issue (as hereinafter defined), shall not in aggregate exceed 20% of the aggregate nominal amount of share capital of the Company in issue as at the date of passing this Resolution; and
- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the members of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to the holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

By Order of the Board  
**Chow Kwok Wor**  
*Company Secretary*

Hong Kong, 24th April, 2003

*Notes:*

- (1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company.
- (2) In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the registered office of the Company at 16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.