



# FAR EAST TECHNOLOGY INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

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

(Stock Code: 36)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

### INTERIM RESULTS

The Board of Directors (the “Board”) of Far East Technology International Limited (the “Company”) herein present their unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2004 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

	NOTES	Unaudited six months ended 30th June,	
		2004 HK\$’000	2003 HK\$’000
Turnover	3	35,837	43,592
Cost of sales		(32,349)	(37,734)
Gross profit		3,488	5,858
Other operating income		199	236
Distribution costs		(173)	(47)
Administrative expenses		(4,804)	(7,026)
Other operating expenses		(133)	(79)
Unrealized holding gain on listed other investments		3,557	1,984
Profit on disposal of listed investment securities		1,118	–
Impairment loss on investment securities recognised		(241)	(2,417)
Profit/(loss) from operations	4	3,011	(1,491)
Finance costs		(1,295)	(3,334)
Gain on disposal of discontinued businesses		301	–
Gain on disposal of an investment property		1,032	–
Profit on deemed disposal of an associate		–	3,278
Share of results of an associate		3,690	2,672
Share of results of a jointly–controlled entity		(17)	110
Profit before tax		6,722	1,235
Tax	5	(792)	(651)
Profit before minority interests		5,930	584
Minority interests		(390)	(358)
Net profit for the period		5,540	226
Earnings per share			
Basic	6	1.7 cents	0.07 cents
Diluted		N/A	N/A

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation

The condensed consolidated 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 Institute of Certified Public Accountants (“HKICPA”) 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 2003 annual financial statements.

### 2. Accounting policy and comparative figures

The condensed consolidated 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 consolidated financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31st December, 2003. 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 and trading		Property development and investment		Entertainment and leisure		Industrial		Consolidated	
	Unaudited six months ended 30th June,									
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
TURNOVER										
External sales	<u>1,870</u>	3,158	<u>1,411</u>	5,012	<u>80</u>	207	<u>32,476</u>	35,215	<u>35,837</u>	43,592
RESULT										
Segment results	<u>1,762</u>	(6,239)	<u>314</u>	2,549	<u>(231)</u>	(965)	<u>967</u>	944	<u>2,812</u>	(3,711)
Other operating income	<u>78</u>	2,078	<u>7</u>	15	<u>-</u>	14	<u>114</u>	113	<u>199</u>	2,220
Profit/(loss) from operations after impairment loss on the interest in leisure-entertainment complex									<u>3,011</u>	(1,491)
Gain on disposal of discontinued businesses									<u>301</u>	-
Gain on disposal of an investment property									<u>1,032</u>	-
Finance costs									<u>(1,295)</u>	(3,334)
Profit on deemed disposal of an associate									<u>-</u>	3,278
Share of results of an associate									<u>3,690</u>	2,672
Share of results of a jointly – controlled entity									<u>(17)</u>	110
Profit before tax									<u>6,722</u>	1,235
Tax									<u>(792)</u>	(651)
Profit before minority interests									<u>5,930</u>	584

## Geographical segments

### Sales revenue by geographical market Unaudited six months ended 30th June,

	2004 HK\$'000	2003 HK\$'000
Hong Kong	8,107	4,134
Singapore	828	4,042
PRC, excluding Hong Kong	15,046	12,186
Japan	11,856	23,230
	<u>35,837</u>	<u>43,592</u>

#### 4. Profit/(loss) from operations

### Unaudited six months ended 30th June,

	2004 HK\$'000	2003 HK\$'000
Profit/(loss) from operations has been arrived at after charging:		
Depreciation		
Owned assets	2,159	2,482
Auditors' remuneration	405	393
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of HK\$623,680 (2003: HK\$682,579)	5,615	5,770
and after crediting:		
Profit on disposal of listed other investments	217	10
Rental income from investment properties, less outgoings of HK\$734,074 (2003: HK\$1,676,854)	717	2,786
	<u>717</u>	<u>2,786</u>

#### 5. Tax

### Unaudited six months ended 30th June,

	2004 HK\$'000	2003 HK\$'000
The charge comprises:		
Deferred tax	-	(292)
Current tax		
The Company and subsidiaries		
Profits Tax for the period		
Overseas	(393)	(131)
Share of tax attributable to an associate	(399)	(228)
	<u>(792)</u>	<u>(651)</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit during the period (six months ended 30th June, 2003: 17.5%). 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.

#### 6. Earnings per share

The calculation of basic earnings per share is based on the profit for the period of HK\$5,540,000 (six months ended 30th June, 2003: HK\$226,000) and on 331,668,905 (six months ended 30th June, 2003: 331,668,905) ordinary shares in issue during the period. As there was no dilutive potential ordinary share for the period ended 30th June, 2004, no diluted earnings per share was presented.

## REVIEW OF OPERATIONS, OUTLOOK AND STRATEGY

### 1. Corporate Results

Turnover for the six months ended 30th June, 2004 was HK\$35,837,000 as against the turnover of HK\$43,592,000 for the corresponding period of 2003. Profit attributable to shareholders was HK\$5,540,000 as compared to HK\$226,000 for the corresponding period of the year 2003, representing an increase of HK\$5,314,000.

### 2. Dividend

The directors do not recommend the payment of any interim dividend for the six months ended 30th June, 2004 (2003: Nil).

### 3. Financial Review

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

The Group's funding policy is to finance the business operations with internally generated cash and bank facilities. The Group's total bank and other loans amount to approximately HK\$8 million as at 30th June, 2004 (31st December, 2003: HK\$150 million), in which the total HK\$8 million (31st December, 2003: HK\$141.4 million) was payable within one year and was secured. The Group's borrowings were denominated in Hong Kong dollars and U.S. 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 Group's gearing ratio (total bank and other loans to shareholders' equity) as at 30th June, 2004 was 9% (31st December, 2003: 205%).

#### *Current Ratio*

The Group's current ratio as at 30th June, 2004 was 0.90 (31st December, 2003: 0.31).

#### *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, listed investments, bank deposits and machinery with an aggregate net book value of approximately HK\$57.8 million (31st December, 2003: HK\$199.7 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 bank loan facilities to the Group and its subsidiaries to the extent of approximately HK\$51.7 million (31st December, 2003: HK\$182.3 million) and HK\$0.8 million (31st December, 2003: HK\$118.8 million) respectively.

#### *Contingent Liabilities*

As at 30th June, 2004, the Company had not given guarantees to banks in connection with facilities granted to its subsidiaries (31st December, 2003: approximately HK\$123 million).

#### *Capital Commitments*

The Company had no capital commitments as at 30th June, 2004 (31st December, 2003: approximately HK\$9.7 million).

#### *Material Acquisitions and Disposals of Subsidiaries and Associated Companies*

On 22nd December, 2003, a conditional sale and purchase agreement was entered into whereby, inter alia, the Company and Mr. Dennis Chiu, a 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 16th February, 2004.

On 21st April, 2004, the Company and Mr. Deacon Chiu, a director of the Company, entered into a conditional sale and purchase agreement pursuant to which the Company has agreed to sell Laichi Kok Amusement (Haimen) Co. Ltd., a wholly foreign owned enterprise incorporated in the People's Republic of China which is wholly-owned by the Company, to Mr. Deacon Chiu. The disposal was completed on 21st June, 2004.

Save as disclosed above, there were no material acquisition and disposal of subsidiaries and associated companies by the Group.

#### **4. Business Overview and Outlook**

The Group's net profit for the period rose by HK\$5.3 million compared with the first half of 2003. Earnings per share were 1.7 HK cents (2003: 0.07 HK cents), representing an increase of 1.63 HK cents when compared with the corresponding same period in last year.

The Group's overall results was improved due to the share of profit of an associate, Chinasoft International Limited ("Chinasoft"), which was listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited in the first half of 2003. The operational results of Chinasoft has achieved substantial growths in terms of both turnover and net profits. Its e-tobacco and e-Audit solution won substantial contracts from the State Tobacco Control Bureau and the National Audit Office in the People's Republic of China.

In terms of non-operating income, approximately HK\$1 million disposal gain was recorded from the disposal of investment property at Hunghom Commercial Centre. The investment property was formerly used for cinema operation, an entertainment and leisure-related business. The Group ceased its cinema operation in July 2000 and since then the investment property was left vacant. We are in the view that the disposal of the investment property is in the interest of the Group as the disposal provided an opportunity for the Group to realize its non-core assets at reasonable market price.

Following the disposal of Tang City Properties Pte. Ltd. and Laichi Kok Amusement (Haimen) Co. Ltd in December 2003 and April 2004, respectively, the Group significantly reduced the total bank borrowings by approximately HK\$142 million; accordingly, the financial gearing ratio decreased from 205% to 9% and the current ratio was also increased from 0.31 to 0.90.

On the industrial side, Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited's profit before tax was decreased by 13.8% as compared to the corresponding same period in last year and no material fluctuation in the full year performance is anticipated. Suzhou Goldtract Commodity Concrete Company Limited had recorded increased revenues compared to the corresponding same period in last year with strong demand for cement products in Suzhou City and its operating losses was significantly reduced.

In conclusion, the Group had significantly reduced its gearing ratio after the disposal of its assets in South East Asia and exit from entertainment and leisure-related business during the period. It will focus on the development of its information technology and industrial manufacturing investments in the near future.

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

The number of employees of the Group as at 30th June, 2004 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 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 information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June, 2004, 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 (the "Listing Rules"), except that the independent non-executive directors of the Company were not appointed for specific terms as they are subject to retirement and re-election in accordance with the provision of the articles of associates of the Company.

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard set out in the Model Code during the six months ended 30th June, 2004 and all Directors confirmed that they have complied with the Model Code.

**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 and Chief Executive Officer*

Hong Kong, 17th September, 2004

*As at the date hereof, the executive directors of the Company are Mr. Deacon Te Ken Chiu, Mr. Duncan Chiu and Mr. Dennis Chiu, the non-executive directors of the Company are Dato' David Chiu, Mr. Daniel Tat Jung Chiu, Mr. Derek Chiu, Mr. Desmond Chiu and Ms. Margaret Chiu; and the independent non-executive directors of the Company are Mr. Chi Man Ma and Mr. Siu Hong Chow.*