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CORPORATE INFORMATION

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors:

Deacon Te Ken CHIU, J.P. *(Chairman)*

Duncan CHIU, B.Sc.

(Managing Director and Chief Executive Officer)

Dennis CHIU, B.A.

Non-executive Directors:

Dato' David CHIU, B.Sc.

Daniel Tat Jung CHIU

Derek CHIU, B.A.

Desmond CHIU, B.A.

Margaret CHIU, LL.B.

Independent Non-executive Directors:

Chi Man MA

Siu Hong CHOW

COMPANY SECRETARY

Kwok Wor CHOW, FCS, FHKSA

QUALIFIED ACCOUNTANT

James Cheerick YU, BS, AICPA

SOLICITORS

Woo, Kwan, Lee & Lo

Balkenende Chew & Siaw

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai Banking
Corporation Limited

The Development Bank of Singapore Limited

The Bank of East Asia Limited

REGISTERED OFFICE

16th Floor, Far East Consortium Building

121 Des Voeux Road Central

Hong Kong

SHARE REGISTRARS

Computershare Hong Kong Investor Services Limited

Shops 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

STOCK EXCHANGE

The shares of the Company are listed on

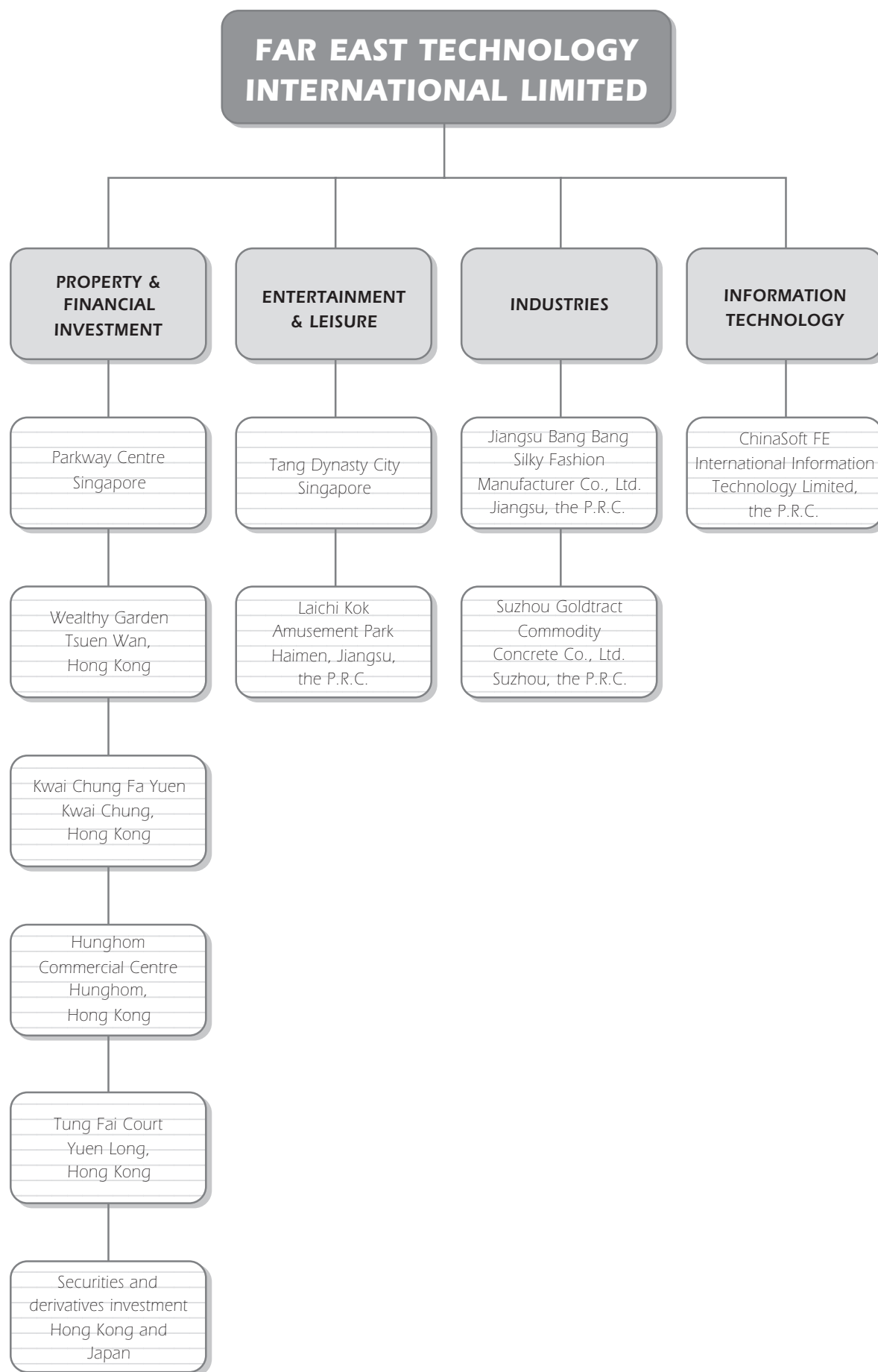
The Stock Exchange of Hong Kong Limited

STOCK CODE

36

WEBSITE

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



PROFILE OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Deacon Te Ken CHIU, J.P. (Chairman)

Mr. Chiu, aged 79, is the founder of the Far East Group and has been the Chairman of the Company since 1981. He is also the Chairman of Far East Consortium International Limited and Far East Hotels and Entertainment Limited. Mr. Chiu has more than 50 years of business experience in property investment and development; operation of entertainment and tourism related business; hotel ownership and management; financing and banking. He was a member of the Chinese People's Political and Consultative Conference; the founder of the Yan Chai Hospital; the founder and permanent Honorary Chairman of The New Territories General Chamber of Commerce; the founder and Chairman of the Ju Ching Chu Secondary School since 1966 and the Vice Patron of the Community Chest in 1968. Mr. Chiu is the father of Messrs. David Chiu, Dennis Chiu, Daniel Tat Jung Chiu, Derek Chiu, Desmond Chiu, Duncan Chiu and Miss Margaret Chiu.

Mr. Duncan CHIU, B.Sc. (Managing Director and Chief Executive Officer)

Mr. Chiu, aged 29, was appointed an Executive Director and Deputy Managing Director of the Company in 1998 and 2000 respectively. In 2001, he was appointed as Joint Managing Director of the Company. Mr. Chiu was subsequently appointed as Managing Director of the Company in 2003 and Chief Executive Officer in 2004. He is also a Non-executive Director of Far East Hotels and Entertainment Limited. Since joining the Company in 1998, Mr. Chiu has devoted his efforts in searching for investment opportunities in China and has vast experience and good relationship in China IT industry. He is currently Vice President of Hong Kong & Mainland Software Industry Cooperation Association. He is the son of Mr. Deacon Te Ken Chiu and the brother of Messrs. David Chiu, Dennis Chiu, Daniel Tat Jung Chiu, Derek Chiu, Desmond Chiu and Miss Margaret Chiu.

Mr. Dennis CHIU, B.A.

Mr. Chiu, aged 45, was appointed an Executive Director of the Company in 1981. Mr. Chiu has been actively involved in the business development in the People's Republic of China ("P.R.C."), Singapore and Malaysia. He is an Executive Director of Far East Consortium International Limited and a Non-executive Director of Far East Hotels and Entertainment Limited. He is also a Non-executive Director of London-listing Fortune Oil Plc. He is the son of Mr. Deacon Te Ken Chiu and the brother of Messrs. David Chiu, Daniel Tat Jung Chiu, Derek Chiu, Desmond Chiu, Duncan Chiu and Miss Margaret Chiu.

NON-EXECUTIVE DIRECTORS

Y. Bhg Dato' David CHIU, B.Sc.

Dato' Chiu, aged 50, joined the Far East Group in 1975 and was appointed a Director of the Company in 1981. He is also the Deputy Chairman and Chief Executive Officer of Far East Consortium International Limited and a Non-executive Director of Far East Hotels and Entertainment Limited. He holds a double degree of Bachelor of Science in Business Administration and Economics from the University of Sophia, Japan.

Dato' Chiu is the Vice Chairman and a substantial shareholder of Malaysia Land Holdings Berhad, Malaysia. He is also the Chairman of Tokai Kanko Ltd, which is listed on the Tokyo Stock Exchange. Presently, Dato' Chiu is a member of the Guangxi Chinese People's Political and Consultative Conference in China and the Honorary Chairman of the Food, Biscuit and Beverage Association in Hong Kong. He has also been conferred an honorary award in Malaysia which carries the title Dato' by His Majesty, the King of Malaysia, in July 1997. He is the second son of Mr. Deacon Te Ken Chiu and the brother of Messrs. Dennis Chiu, Daniel Tat Jung Chiu, Derek Chiu, Desmond Chiu, Duncan Chiu and Miss Margaret Chiu.

PROFILE OF THE DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS (Continued)

Mr. Daniel Tat Jung CHIU

Mr. Chiu, aged 43, was appointed a Director of the Company in 1983. He is also a Non-executive Director of Far East Consortium International Limited. He was appointed Vice Chairman (Non-executive) of Far East Hotels and Entertainment Limited in 1999. He is the major shareholder and Vice Chairman of London-listing Fortune Oil Plc. Mr. Chiu has extensive experience in China trade, petroleum trading and infrastructure investments. He also takes an active part in several kinds of projects in Hong Kong and the P.R.C.. He is the son of Mr. Deacon Te Ken Chiu and the brother of Messrs. David Chiu, Dennis Chiu, Derek Chiu, Desmond Chiu, Duncan Chiu and Miss Margaret Chiu.

Mr. Derek CHIU, B.A.

Mr. Chiu, aged 38, was appointed a Director of the Company in 1989. He is also the Managing Director and Chief Executive of Far East Hotels and Entertainment Limited. Mr. Chiu has extensive experience in the operation of amusement parks and entertainment business. He is the son of Mr. Deacon Te Ken Chiu and the brother of Messrs. David Chiu, Dennis Chiu, Daniel Tat Jung Chiu, Desmond Chiu, Duncan Chiu and Miss Margaret Chiu.

Mr. Desmond CHIU, B.A.

Mr. Chiu, aged 37, was appointed a Director of the Company in 1991. He graduated from the University of Cambridge, the United Kingdom and he was appointed as Deputy Managing Director of Far East Hotels and Entertainment Limited in 1999. He is the son of Mr. Deacon Te Ken Chiu and the brother of Messrs. David Chiu, Dennis Chiu, Daniel Tat Jung Chiu, Derek Chiu, Duncan Chiu and Miss Margaret Chiu.

Miss Margaret CHIU, LL.B.

Miss Chiu, aged 46, was appointed a Director of the Company in 1995. She is also an Executive Director of Far East Hotels and Entertainment Limited. She graduated with law degree from the University of Buckingham, the United Kingdom and has extensive experience in entertainment, television and motion business in Hong Kong, the P.R.C. and overseas. She is the daughter of Mr. Deacon Te Ken Chiu and sister of Messrs. David Chiu, Dennis Chiu, Daniel Tat Jung Chiu, Derek Chiu, Desmond Chiu and Duncan Chiu.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chi Man MA

Mr. Ma, aged 71, was appointed an Independent Non-executive Director of the Company in 1998. He is also a Director of two public listed companies in Hong Kong. He has extensive working experience in the fields of travel, transport, economics and infrastructure development in Hong Kong and the PRC.

Mr. Siu Hong CHOW

Mr. Chow, aged 46, was appointed an Independent Non-executive Director of the Company in 2000. He has over 10 years' experience in China trade and has established a good relationship in China.

SENIOR MANAGEMENT

Mr. James Cheerik YU, BS, Accountancy, AICPA

Mr. Yu, aged 29, was appointed as the Financial Controller of the Group in March 2004. He is responsible for overseeing the accounting and financial matters of the Group. Mr. Yu holds a bachelor degree in Accountancy and is an associate member of the American Institute of Certified Public Accountants. He has four year's experience in auditing and business advisory services. Prior to joining the Company, Mr. Yu worked for an international accounting firm as an auditor, a listed company as the financial controller and a multi-national corporation as an accounting manager.

CHAIRMAN'S STATEMENT

RESULTS

The Board of Directors (the "Board") of Far East Technology International Limited (the "Company") announces that the audited consolidated net loss attributable to shareholders of the Company and its subsidiaries (together the "Group") for the year ended 31st December, 2003 was HK\$84,759,908 (2002: HK\$179,241,540), with loss per share of HK25.6 cents (2002: HK54.0 cents).

FINANCIAL RESOURCES AND LIQUIDITY

Bank and other loans and charge on Group assets

The business activities of the Group are funded by bank and other loans, unsecured loans and cash generated from operating activities. The Group's total bank and other loans amount to approximately HK\$150 million as at 31st December, 2003 (31/12/2002: HK\$153.7 million), in which HK\$141.4 million (31/12/2002: HK\$146.2 million) was payable within one year and HK\$8.6 million (31/12/2002: HK\$7.5 million) was payable after one year. HK\$150 million (31/12/2002: HK\$150.6 million) of the bank and other loans was secured and nil (31/12/2002: HK\$3.1 million) was unsecured. The Group's bank and other loans 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 loans to shareholders' equity) as at 31st December, 2003 was 205% (31/12/2002: 99%).

Current ratio

The current ratio as at 31st December, 2003 was 0.31 (31/12/2002: 0.25).

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, listed investments and bank deposits with an aggregate net book value of approximately HK\$199.7 million (31/12/2002: HK\$233.7 million) together with the properties of the Company and 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\$182.3 million (31/12/2002: HK\$189.6 million) and HK\$118.8 million (31/12/2002: HK\$115.5 million) respectively.

Contingent liabilities and capital commitments

At the reporting date, contingent liabilities of the Company regarding guarantees given to bank in respect of banking facilities utilised by subsidiaries were approximately HK\$123 million (31/12/2002: HK\$131 million).

At the reporting date, capital commitments of the Company contracted but not provided for in the financial statements in respect of capital contribution to a subsidiary were approximately HK\$9.7 (31/12/2002: 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.

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

BUSINESS REVIEW AND PROSPECTS

During the year of 2003, the Group had continued its restructuring by disposal of non-core assets. With the closure of Rainforest Cafe in Singapore and the disposal of the Seremban Golf Resort in Malaysia and Parkway Builders office building in Singapore, the Group had greatly reduced its operating losses and gearing ratio. With the sale of these assets and the provisions made for Tang Dynasty City, it means the Group had overloaded all its investments in South East Asia and shifted its focus to investment opportunities in China.

With the successful listing of ChinaSoft International Limited on the GEM board of the Hong Kong Stock Exchange on the first half of 2003, the Group will continue to look for investment opportunities in China in the future.

On the industrial side, Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited recorded satisfactory results with the sales increased by 10%. With most of its products being exported to Japan, orders on hand will remain steady for 2004.

Suzhou Goldtract Commodity Concrete Company Limited had recorded increased revenues compared with last year with strong demand for cement in the area and return to profit.

In conclusion, the Group had achieved to greatly reduce its gearing ratio from 205% to 43% after selling of its assets in South East Asia, especially after the disposal of Parkway Builders which was completed in February 2004. This will be reflected in the financial results of 2004. This will bring the total bank and other loans down to approximately HK\$31.3 million from previously approximately HK\$150 million and increase current ratio from 0.31 to 0.71. Together with the provisions made for the Tang Dynasty City, it means that the Group had reduced its investments holdings in South East Asia to minimum level. Also, the Group had streamlined its business divisions and looked to exit from its entertainment investment and focus on investment in China.

Deacon Te Ken Chiu

Chairman

Hong Kong, 21st April, 2004

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2003.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries, an associate and a jointly controlled entity are set out in notes 19 to 21 respectively to the financial statements.

ANALYSIS OF THE GROUP'S LIQUIDITY

The Group's bank and other loans repayable within one year less bank balances and cash at 31st December, 2003 were HK\$134 million (2002: HK\$138 million).

The directors consider that with the continuing support of its major shareholder, the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 16.

DIVIDENDS

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

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$3 million on lifts, electrical and other equipment.

Details of this and other movements during the year in property, plant and equipment of the Group are set out in note 15 to the financial statements.

INVESTMENT PROPERTIES

The Group's investment properties were revalued at 31st December, 2003. The net revaluation decrease, net of minority interests, amounted to HK\$46 million, of which HK\$0.5 million has been charged to the investment property revaluation reserve and the remaining balance of HK\$45.5 million has been charged to income statement.

Details of movements during the year in investment properties of the Group are set out in note 16 to the financial statements.

MAJOR PROPERTIES

Details of the major properties held by the Group at 31st December, 2003 are set out on pages 59 to 60.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES IN THE COMPANY

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

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. Deacon Te Ken Chiu, *Chairman*

Mr. Duncan Chiu, *Managing Director and Chief Executive Officer*

Mr. Dennis Chiu

Non-executive directors

Dato' David Chiu

Mr. Daniel Tat Jung Chiu

Mr. Derek Chiu

Mr. Desmond Chiu

Ms. Margaret Chiu

Mr. Chi Man Ma *

Mr. Siu Hong Chow *

* *Independent non-executive directors*

In accordance with Articles 76, 79 and 80 of the Company's Articles of Association, all directors except Mr. Duncan Chiu shall retire from office at the forthcoming annual general meeting and, being eligible, offer himself for re-election. Mr. Duncan Chiu remain in office.

The term of office for each non-executive director is the period up to his or her annual retirement by rotation in accordance with the Company's Articles of Association.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the Senior Management of the Group are set out on pages 4 to 5 of the annual report.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2003, the interests of the directors and their associates in the shares of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director	Number of ordinary shares held			Total interests
	Personal interests	Family interests	Corporate interests	
Mr. Deacon Te Ken Chiu				
– The Company	5,048,000	6,110,000 (Note i)	99,768,800 (Note ii)	110,926,800
Mr. Dennis Chiu				
– The Company	16,610,200	–	30,400,000 (Note iii)	47,010,200
– Tang Dynasty City Pte. Ltd.	1,250,000	–	–	1,250,000
– Tang City Properties Pte. Ltd.	10,000	–	–	10,000
Mr. Daniel Tat Jung Chiu				
– The Company	11,000,000	–	30,400,000 (Note iii)	41,400,000
Mr. Derek Chiu				
– The Company	201,000	–	–	201,000
Ms. Margaret Chiu				
– The Company	5,000,000	–	–	5,000,000
Mr. Duncan Chiu				
– The Company	25,456,211	–	–	25,456,211

Notes:

- (i) The shares are held by Madam Ching Lan Ju Chiu, wife of Mr. Deacon Te Ken Chiu.
- (ii) Of the shares, 93,540,200 shares are beneficially held by Far East Consortium International Limited ("FEC"). Mr. Deacon Te Ken Chiu beneficially held approximately 10.22% of the issued share capital in FEC.
- (iii) The shares are held by Cape York Investments Limited, a company owned by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu equally.

DIRECTORS' INTERESTS IN SHARES (Continued)

On 22nd December, 2003, a conditional sale and purchase agreement was entered into whereby, inter alia, Mr. Deacon Te Ken Chiu, Dato' David Chiu, Mr. Dennis Chiu, Mr. Daniel Chiu and Mr. Duncan Chiu agreed to acquire from the subsidiaries of FEC 93,540,200 shares in the Company at an aggregate cash consideration of HK\$20.7 million. Subsequent to the balance sheet date, the transaction was completed.

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares or debentures or underlying shares of the Company or any of its associated corporations at 31st December, 2003.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the heading "Connected transactions" below, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

None of the directors of the Company has a contract of service with the Company or any of its subsidiaries not terminable by the Group within one year without payment of compensation (other than statutory compensation).

CONNECTED TRANSACTIONS

Details of discloseable connected transactions for the year are set out as follows:

- (a) On 25th March, 1996, Tang City Properties Pte. Ltd. ("TCP"), a company incorporated in Singapore in which the Company has a 90% interest and Mr. Dennis Chiu has a 10% interest, obtained a loan facility with a principal amount of up to S\$31 million (the "Facilities") from The Development Bank of Singapore Limited ("DBS") for the purpose of acquiring 60 units of offices at No.1, Marine Parade Central, Parkway Builders' Centre, Singapore and carrying out of renovation work on the property. As security for the Facilities, the Company and Mr. Dennis Chiu agreed to stand as guarantors and to give several guarantees to DBS guaranteeing 90% and 10%, respectively, of the liability of TCP under the facility agreement in proportion to their respective equity interest in TCP.

At 31st December, 2002, the Facilities utilised by TCP amounted to S\$25 million (equivalent to approximately HK\$112.5 million).

On 22nd December, 2003, a conditional sale and purchase agreement was entered into whereby, inter alia, the Company and Mr. Dennis Chiu agreed to dispose of their entire interests in TCP to a wholly-owned subsidiary of FEC at a cash consideration of S\$1, and FEC agreed to procure the refinancing of the Facilities of S\$25 million (equivalent to approximately HK\$112.5 million) and to take over the net external trade and non-trade creditors of TCP of S\$1.1 million (equivalent to approximately HK\$4.9 million). Subsequent to the balance sheet date, the transaction was completed.

- (b) During the year, the Company disposed of 10,000,000 shares in FEC to Far East Hotels & Entertainment Limited for a cash consideration of HK\$2,750,000. The Company has a 2.64% interest in FEC before the disposal and Mr. Deacon Te Ken Chiu and his associates have approximately 42.6% interest. The consideration was arrived at after arm's length negotiations. The Board including the independent non-executive directors considered the price to be fair and reasonable with reference to the market price of the shares of FEC as traded on the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

At 31st December, 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain directors under the section headed "Directors' interests in shares", the following shareholders had notified the Company of any interest, directly or indirectly, in 5% or more of the issued share capital of the Company:

Name of shareholder	Number of ordinary shares held	%	Notes
FEC	93,540,200	28.2	(i)
Far East Consortium (B.V.I.) Limited ("FECBVIL")	93,540,200	28.2	(ii)
Far East Consortium Limited ("FECL")	65,208,200	19.7	(iii)
Tricom Cyberworld Holdings Limited	19,282,000	5.8	–
Singford Holdings Limited ("Singford")	28,332,000	8.5	(ii)
Ridon Investment Limited ("Ridon")	29,609,000	8.9	(iii)
Elliott Investment Corporation ("Elliott")	23,619,200	7.1	(iii)

Notes:

- (i) FEC was deemed to be interested in these shares by virtue of its 100% shareholding in FECBVIL. The shareholding beneficially held by FEC is entirely included in the shareholding stated in the corporate interest of Mr. Deacon Te Ken Chiu, the Chairman of the Company, as mentioned in section headed "Directors' interest in shares" above.
- (ii) FECBVIL was deemed to be interested in these shares by virtue of its controlling shareholding in FECL and Singford.
- (iii) FECL was deemed to be interested in these shares by virtue of its direct shareholding of 11,892,000 shares in the Company, and its 100% shareholding in three companies which directly held 53,316,200 shares in the Company in aggregate. The shareholding held by Ridon and Elliott is entirely included in the shareholding stated in FECL.

On 22nd December, 2003, a conditional sale and purchase agreement was entered into whereby, inter alia, Mr. Deacon Te Ken Chiu, Dato' David Chiu, Mr. Dennis Chiu, Mr. Daniel Chiu and Mr. Duncan Chiu agreed to acquire from the subsidiaries of FEC 93,540,200 shares in the Company at an aggregate cash consideration of HK\$20.7 million. Subsequent to the balance sheet date, the transaction was completed.

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital at 31st December, 2003.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales of the Group's five largest customers accounted for approximately 60% of total turnover, with the largest one accounting for 35% of total turnover.

Aggregate purchases of the Group's five largest suppliers accounted for approximately 31% of total purchases, with the largest one accounting for 10% of total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

EMPLOYEES

The total number of employees of the Group at 31st December, 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 or share trading scheme for the employees during the year.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2003 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, 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 directors.

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.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 43 to the financial statements.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Duncan Chiu

Managing Director and Chief Executive Officer

Hong Kong, 21st April, 2004

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE MEMBERS OF FAR EAST TECHNOLOGY INTERNATIONAL LIMITED

遠東科技國際有限公司

(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 16 to 57 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

21st April, 2004

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2003

	Notes	2003 HK\$	2002 HK\$
Turnover	5	84,678,252	89,843,403
Cost of sales		(71,313,072)	(64,699,453)
Gross profit		13,365,180	25,143,950
Other operating income	7	3,160,200	3,888,011
Distribution costs		(552,814)	(574,295)
Administrative expenses		(6,301,300)	(23,760,040)
Other operating expenses	8	(1,352,895)	(10,389,926)
Unrealised holding gain (loss)			
on listed other investments		6,239,799	(1,453,041)
Profit on disposal of listed investment securities		5,275,613	–
Impairment loss on investment securities			
reversed (recognised)		3,089,978	(30,358,368)
Impairment loss on property, plant and			
equipment reversed (recognised)		654,354	(24,751,626)
Deficit on revaluation of investment properties	16	(45,451,938)	–
Loss from operations	9	(21,873,823)	(62,255,335)
Finance costs	10	(5,693,260)	(14,722,776)
Impairment loss on interest in			
leisure-entertainment complex		(68,499,999)	(68,500,000)
Loss on disposal of discontinued operations	11	–	(46,817,276)
Profit on deemed disposal of an associate	20	3,278,482	–
Share of results of an associate		7,692,350	6,776,638
Share of results of a jointly controlled entity		7,500	824,047
Loss before taxation		(85,088,750)	(184,694,702)
Taxation	13	2,691,694	5,386,729
Loss before minority interests		(82,397,056)	(179,307,973)
Minority interests		(2,362,852)	66,433
Loss for the year		(84,759,908)	(179,241,540)
Loss per share			
Basic	14	(25.6 cents)	(54.0 cents)

CONSOLIDATED BALANCE SHEET

At 31st December, 2003

	Notes	2003 HK\$	2002 HK\$
Non-current Assets			
Property, plant and equipment	15	27,708,927	28,000,030
Investment properties	16	168,811,952	211,101,000
Land held for development	17	2,734,382	2,734,382
Leisure-entertainment complex	18	1	68,500,000
Interest in an associate	20	32,661,084	23,011,082
Interest in a jointly controlled entity	21	7,068,982	7,061,482
Investments in securities	22	12,436,432	16,729,501
		251,421,760	357,137,477
Current Assets			
Investments in securities	22	14,357,749	8,066,932
Inventories	23	6,539,656	7,590,424
Trade and other receivables	24	25,611,489	28,266,562
Amount due from an associate	25	4,727	607,201
Pledged bank deposits		14,335,487	6,632,834
Bank balances and cash		7,082,948	8,548,753
		67,932,056	59,712,706
Current Liabilities			
Trade and other payables	26	56,275,581	48,301,215
Amounts due to directors	27	15,904,179	29,829,527
Amounts due to related companies	28	6,721,010	6,712,679
Amount due to a jointly controlled entity	29	507,550	298,389
Tax payable		403,031	5,154,701
Obligations under finance leases			
– due within one year	30	–	8,409
Bank and other loans – due within one year	31	141,372,463	146,167,701
		221,183,814	236,472,621
Net Current Liabilities		(153,251,758)	(176,759,915)
		98,170,002	180,377,562

CONSOLIDATED BALANCE SHEET

At 31st December, 2003

	Notes	2003 HK\$	2002 HK\$
Capital and Reserves			
Share capital	32	331,668,905	331,668,905
Reserves		(258,491,919)	(175,742,399)
		73,176,986	155,926,506
Minority Interests		16,410,692	16,922,218
Non-current Liabilities			
Obligations under finance leases			
– due after one year	30	–	15,418
Bank and other loans – due after one year	31	8,582,324	7,513,420
		8,582,324	7,528,838
		98,170,002	180,377,562

The financial statements on pages 16 to 57 were approved and authorised for issue by the Board of Directors on 21st April, 2004 and are signed on its behalf by:

Deacon Te Ken Chiu
DIRECTOR

Duncan Chiu
DIRECTOR

BALANCE SHEET

At 31st December, 2003

	Notes	2003 HK\$	2002 HK\$
Non-current Assets			
Property, plant and equipment	15	–	–
Land held for development	17	1,994,382	1,994,382
Interests in subsidiaries	19	91,453,885	125,698,760
Interest in an associate	20	16,020,034	16,020,034
		109,468,301	143,713,176
Current Assets			
Investments in securities	22	13,894,846	7,707,217
Other receivables		781,015	8,023,073
Amount due from an associate	25	4,727	607,201
Pledged bank deposits		14,335,487	6,632,834
Bank balances and cash		1,166,520	393,389
		30,182,595	23,363,714
Current Liabilities			
Other payables		6,341,862	1,564,382
Amounts due to directors	27	13,200,290	10,914,225
Amounts due to related companies	28	5,357,088	5,357,088
Amounts due to subsidiaries		669,601	540,641
Bank and other loans – due within one year	31	26,075,416	26,807,729
		51,644,257	45,184,065
Net Current Liabilities			
		(21,461,662)	(21,820,351)
		88,006,639	121,892,825
Capital and Reserves			
Share capital	32	331,668,905	331,668,905
Reserves	33	(249,662,266)	(214,576,080)
		82,006,639	117,092,825
Non-current Liability			
Bank and other loans – due after one year	31	6,000,000	4,800,000
		88,006,639	121,892,825

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Deacon Te Ken Chiu
DIRECTOR

Duncan Chiu
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2003

	Share capital HK\$	Share premium HK\$	Investment property revaluation reserve HK\$	Exchange reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1st January, 2002	331,668,905	282,892,010	12,158,794	(27,383,473)	(288,065,545)	311,270,691
Revaluation decrease, net of minority interests	-	-	(10,740,681)	-	-	(10,740,681)
Exchange differences arising on translation of overseas subsidiaries, net of minority interests	-	-	-	8,483,961	-	8,483,961
Net losses not recognised in the income statement	-	-	(10,740,681)	8,483,961	-	(2,256,720)
Realised on disposal of investment properties	-	-	(926,922)	-	-	(926,922)
Realised on disposal of a subsidiary	-	-	-	27,080,997	-	27,080,997
Loss for the year	-	-	-	-	(179,241,540)	(179,241,540)
At 31st December, 2002	331,668,905	282,892,010	491,191	8,181,485	(467,307,085)	155,926,506
Revaluation decrease, net of minority interests	-	-	(491,191)	-	-	(491,191)
Exchange differences arising on translation of overseas subsidiaries, net of minority interests	-	-	-	3,055,222	-	3,055,222
Share of post-acquisition reserve movement of an associate	-	-	-	(553,643)	-	(553,643)
Net gains not recognised in the income statement	-	-	(491,191)	2,501,579	-	2,010,388
Loss for the year	-	-	-	-	(84,759,908)	(84,759,908)
At 31st December, 2003	331,668,905	282,892,010	-	10,683,064	(552,066,993)	73,176,986

The accumulated losses of the Group include retained profits of HK\$13,916,212 (2002: HK\$6,991,048) and HK\$83,207 (2002: HK\$75,707) retained by an associate and a jointly controlled entity, respectively.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2003

	Notes	2003 HK\$	2002 HK\$
OPERATING ACTIVITIES			
Loss from operations		(21,873,823)	(62,255,335)
Adjustments for:			
Depreciation		3,857,958	7,369,344
Loss on disposal of property, plant and equipment		138,586	24,178
Loss on disposal of investment properties		–	737,902
Profit on disposal of listed investment securities		(5,275,613)	–
Deficit on revaluation of investment properties		45,451,938	–
Impairment loss on investment securities (reversed) recognised		(3,089,978)	30,358,368
Impairment loss on property, plant and equipment (reversed) recognised		(654,354)	24,751,626
Unrealised holding (gain) loss on listed other investments		(6,239,799)	1,453,041
Operating cash flows before movements in working capital		12,314,915	2,439,124
Decrease (increase) in inventories		975,436	(2,906,016)
Decrease in properties under development for sale		–	423,067
(Increase) decrease in other investments		(51,018)	813,779
Decrease in trade and other receivables		2,602,294	5,723,010
Decrease (increase) in amount due from an associate		602,474	(324,814)
Increase (decrease) in trade and other payables		8,990,651	(3,998,548)
(Decrease) increase in amount due to directors		(13,925,348)	15,494,373
Increase in amount due to a jointly controlled entity		209,161	298,389
Increase in amounts due to related companies		8,331	869,281
Cash generated from operations		11,726,896	18,831,645
Overseas tax paid		(612,584)	(1,101,003)
Hong Kong Profits Tax paid		(684,000)	(399,000)
NET CASH FROM OPERATING ACTIVITIES		10,430,312	17,331,642
INVESTING ACTIVITIES			
Proceeds on disposal of investment securities		12,658,660	–
Proceeds on disposal of property, plant and equipment		1,367	4,778
Proceeds on disposal of investment properties		–	5,229,934
Net cash inflow from disposal of subsidiaries	35	–	440,181
Acquisition of property, plant and equipment		(3,410,946)	(1,440,569)
Increase in pledged bank deposits		(7,702,653)	(4,068,724)
NET CASH FROM INVESTING ACTIVITIES		1,546,428	165,600

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CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2003

	2003 HK\$	2002 HK\$
FINANCING ACTIVITIES		
Dividend paid to minority shareholders	(1,881,842)	(2,503,078)
Repayment of bank and other loans	(27,343,306)	(20,964,170)
Repayment of obligations under finance leases	(23,827)	(478,602)
New bank and other loans	21,555,149	20,951,496
Interest paid on obligations under finance leases	–	(79,374)
Interest paid on bank and other loans	(5,693,260)	(14,643,402)
NET CASH USED IN FINANCING ACTIVITIES	(13,387,086)	(17,717,130)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,410,346)	(219,888)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	8,548,753	8,767,463
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(55,459)	1,178
CASH AND CASH EQUIVALENTS CARRIED FORWARD, represented by bank balances and cash	7,082,948	8,548,753

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

1. GENERAL

The Company is a public limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited.

The Company is engaged in investment holding and securities trading. Its subsidiaries are engaged in the manufacture and sales of garments and commodity concrete, securities investment, property investment and sale. Its associate is engaged in the provision of information technology services in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Group in light of its net current liabilities of approximately HK\$153 million at 31st December, 2003. The Company's major shareholder has agreed to provide financial support to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. ADOPTION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS

Hong Kong Financial Reporting Standards are inclusive of Statements of Standard Accounting Practice ("SSAP"s) and Interpretations approved by the Hong Kong Society of Accountants.

In the current year, the Group has adopted, for the first time, SSAP 12 (Revised) "Income taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) 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 financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Goodwill

Goodwill represents the excess of the cost of an acquisition and the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisition is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

Interests in jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Sales of merchandise are recognised when goods are delivered and title has passed.

Sales of investments are recognised when title to the investments is transferred and the buyer takes legal possession of the investments.

Rental income under operating leases is credited to the income statement on a straight-line basis over the term of the relevant lease.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Revenue from amusement park operation is recognised upon receipt from theme park operation, sales of tickets and services rendered.

Revenue from restaurant operation is recognised when services are rendered.

Income from sales of completed properties is recognised upon completion of the sales agreement and when the risks and rewards of ownership are passed to the buyers.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any identified impairment loss.

Depreciation is provided to write off the cost of the assets over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Land and buildings in the PRC	over the lease term
Amusement equipment	20%
Leasehold improvements	10%
Exhibits, display items, furniture, fittings and costumes	6% – 20%
Lifts, electrical and other equipment	10% – 20%
Trams, coaches and motor vehicles	20% – 30%

Land and buildings in the PRC consist of land use rights and buildings in the PRC.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Land held for development

Land held for development for purposes not yet determined is stated at cost less any identified impairment loss.

Leisure-entertainment complex

The carrying amount of the leisure-entertainment complex includes land cost, construction costs, other direct development expenditure, overheads and other associated costs attributable to the development project less any identified impairment loss.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using first-in, first-out method.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the term of the relevant lease.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at the rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit costs

Payments to the defined contribution retirement benefits schemes are charged as an expense as they fall due.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

5. TURNOVER

	2003 HK\$	2002 HK\$
Continuing operations		
Sales of goods	74,177,924	58,609,346
Securities trading	887,175	4,242,744
Property rental income	8,926,389	10,232,263
Dividend income from listed securities	492,202	752,202
Revenue from amusement park operation	194,562	336,263
	84,678,252	74,172,818
Discontinued operations		
Revenue from golf-resort complex operation	–	9,467,017
Revenue from restaurant operation	–	4,520,950
Sales of properties	–	1,682,618
	84,678,252	89,843,403

Comparative figure has been reclassified to conform with current year's presentation.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

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 golf resort complex, restaurant and amusement park.
Industrial	–	manufacturing and sales of garments and commodity concrete.

Segment information about these businesses is presented below.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2003

	Securities investment and trading HK\$	Property development and investment HK\$	Entertainment and leisure HK\$	Industrial HK\$	Consolidated HK\$
TURNOVER					
External sales	<u>1,379,377</u>	<u>8,926,389</u>	<u>204,661</u>	<u>74,167,825</u>	<u>84,678,252</u>
RESULTS					
Segment results	<u>8,352,227</u>	<u>(41,939,353)</u>	<u>(64,734,288)</u>	<u>4,787,392</u>	<u>(93,534,022)</u>
Other operating income	83,902	68,746	1,436,094	1,571,458	<u>3,160,200</u>
Loss from operations after impairment loss on interest in leisure-entertainment complex					(90,373,822)
Finance costs					(5,693,260)
Profit on deemed disposal of an associate					3,278,482
Share of results of an associate					7,692,350
Share of results of a jointly controlled entity					<u>7,500</u>
Loss before taxation					(85,088,750)
Taxation					<u>2,691,694</u>
Loss before minority interests					<u>(82,397,056)</u>
BALANCE SHEET					
ASSETS					
Segment assets	45,076,320	170,326,310	6,095,343	58,125,777	279,623,750
Interest in an associate					32,661,084
Interest in a jointly controlled entity					<u>7,068,982</u>
Consolidated total assets					<u>319,353,816</u>
LIABILITIES					
Segment liabilities	20,916,241	7,784,416	29,237,037	21,470,626	79,408,320
Tax payable					403,031
Bank and other loans					<u>149,954,787</u>
Consolidated total liabilities					<u>229,766,138</u>
OTHER INFORMATION					
Capital additions	-	-	-	3,410,946	3,410,946
Depreciation	-	16,395	575,043	3,266,520	3,857,958
Unrealised holding gain on listed other investments	(6,239,799)	-	-	-	(6,239,799)
Impairment loss on property, plant and equipment reversed	-	-	-	(654,354)	(654,354)
Profit on disposal of listed investment securities	(5,275,613)	-	-	-	(5,275,613)
Impairment loss on investment securities reversed	(3,089,978)	-	-	-	(3,089,978)
Deficit on revaluation of investment properties	-	45,451,938	-	-	45,451,938
Impairment loss on interest in leisure-entertainment complex	-	-	68,499,999	-	<u>68,499,999</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2002

	Securities investment and trading HK\$	Property development and investment HK\$	Entertainment and leisure HK\$	Industrial HK\$	Consolidated HK\$
TURNOVER					
External sales	<u>4,994,946</u>	<u>11,914,881</u>	<u>14,342,940</u>	<u>58,590,636</u>	<u>89,843,403</u>
RESULTS					
Segment results	<u>(34,196,352)</u>	<u>5,691,579</u>	<u>(107,268,315)</u>	<u>1,129,742</u>	(134,643,346)
Other operating income	85,252	40,224	3,517,432	245,103	<u>3,888,011</u>
Loss from operations after impairment					
loss on interest in leisure-entertainment complex					(130,755,335)
Loss on disposal of discontinued operations	-	-	(46,817,276)	-	(46,817,276)
Finance costs					(14,722,776)
Share of results of an associate					6,776,638
Share of results of a jointly controlled entity					<u>824,047</u>
Loss before taxation					(184,694,702)
Taxation					<u>5,386,729</u>
Loss before minority interests					<u>(179,307,973)</u>
BALANCE SHEET					
ASSETS					
Segment assets	42,163,229	213,131,076	75,117,312	56,366,002	386,777,619
Interests in associates					23,011,082
Interest in a jointly controlled entity					<u>7,061,482</u>
Consolidated total assets					<u>416,850,183</u>
LIABILITIES					
Segment liabilities	18,263,310	5,384,570	42,094,422	19,423,335	85,165,637
Tax payable					5,154,701
Bank and other loans					<u>153,681,121</u>
Consolidated total liabilities					<u>244,001,459</u>
OTHER INFORMATION					
Allowance for bad debts	-	-	5,819,416	537,245	6,356,661
Capital additions	-	-	704,890	1,086,869	1,791,759
Depreciation	3,276	15,978	3,337,846	4,012,244	7,369,344
Unrealised holding loss on listed other investments	1,453,041	-	-	-	1,453,041
Impairment loss on property, plant and equipment	-	-	24,751,626	-	24,751,626
Impairment loss on investment securities	30,358,368	-	-	-	30,358,368
Impairment loss on interest in leisure-entertainment complex	-	-	68,500,000	-	<u>68,500,000</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

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	
	2003 HK\$	2002 HK\$
Hong Kong	16,791,262	15,119,469
Malaysia	–	11,149,635
Singapore	7,294,512	12,491,497
PRC, excluding Hong Kong	30,615,590	20,150,893
Japan	29,976,888	30,931,909
	84,678,252	89,843,403

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Hong Kong	93,842,405	180,431,034	–	–
Malaysia	–	–	–	698,797
Singapore	121,732,641	166,403,467	–	–
PRC	103,778,770	70,015,682	3,410,946	1,092,962
	319,353,816	416,850,183	3,410,946	1,791,759

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

7. OTHER OPERATING INCOME

	2003 HK\$	2002 HK\$
Trade payables waived	1,370,379	–
Interest income	154,127	280,718
Sales deposit forfeited	–	822,679
Others	1,635,694	2,784,614
	<u>3,160,200</u>	<u>3,888,011</u>

Comparative figure has been reclassified to conform with current year's presentation.

8. OTHER OPERATING EXPENSES

	2003 HK\$	2002 HK\$
Net exchange loss	1,048,880	393,412
Loss on disposal of property, plant and equipment	138,586	24,178
Allowance for bad debts	–	6,356,661
Loss on disposal of investment properties	–	737,902
Others	165,429	2,877,773
	<u>1,352,895</u>	<u>10,389,926</u>

Comparative figure has been reclassified to conform with current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

9. LOSS FROM OPERATIONS

	2003 HK\$	2002 HK\$
Loss from operations has been arrived at after charging:		
Depreciation		
Owned assets	3,857,958	7,216,592
Assets held under finance leases	–	152,752
Auditors' remuneration	785,875	805,806
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of HK\$1,574,681 (2002: HK\$1,322,875)	13,814,813	15,343,130
Operating lease rentals in respect of premises	–	2,321,305
and after crediting:		
Profit on disposal of listed other investments	43,460	897,068
Rental income from investment properties, less outgoings of HK\$3,353,708 (2002: HK\$432,204)	5,572,681	9,800,059

10. FINANCE COSTS

	2003 HK\$	2002 HK\$
Interest on:		
Bank loans wholly repayable within five years	5,291,122	14,086,689
Bank loans not wholly repayable within five years	144,092	142,168
Other loans	258,046	414,545
Obligations under finance leases	–	79,374
	5,693,260	14,722,776

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

11. DISCONTINUED OPERATIONS

- (a) In October 2002, the Group entered into a sale agreement to dispose of a subsidiary, Successful Investments Limited ("SIL") and other subsidiaries held directly and indirectly by SIL, 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 SIL passed to the acquirer.

The results of the golf resort complex up to the date of disposal, which have been included in the consolidated financial statements, were as follows:

	2003 HK\$	2002 HK\$
Turnover	–	11,149,635
Other operating income	–	2,313,969
Operating costs	–	(15,240,048)
Finance costs	–	(8,556,978)
Loss before taxation	–	(10,333,422)
Taxation	–	131,950
Loss before minority interests	–	(10,201,472)
Minority interests	–	4,753,945
Loss for the period	–	(5,447,527)

SIL contributed an outflow of HK\$3.6 million to the Group's net operating cash flows, paid HK\$0.7 million in respect of investing activities and received HK\$4 million in respect of financing activities in 2002.

The carrying amounts of the consolidated assets and liabilities of SIL at the date of disposal were approximately HK\$181 million and HK\$154 million, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

11. DISCONTINUED OPERATIONS (Continued)

- (b) In July 2002, RFC Far East Cafe Pte. Ltd., a wholly-owned subsidiary of the Company, ceased its restaurant operations in Singapore due to poor market condition and recurring losses in past years.

The results of the restaurant operation up to the date of cessation of business, which have been included in the consolidated financial statements, were as follows:

	2003 HK\$	2002 HK\$
Turnover	—	4,520,950
Other operating income	—	308,809
Operating costs	—	(26,350,861)
Finance costs	—	(102,067)
Loss for the period	—	(21,623,169)

RFC Far East Cafe Pte. Ltd contributed an inflow of HK\$3.7 million to the Group's net operating cash flows, paid HK\$2,000 in respect of investing activities and received HK\$4,000 in respect of financing activities in 2002.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2003 HK\$	2002 HK\$
Fees	190,000	190,000
Other emoluments:		
Salaries and other benefits	933,676	972,503
Retirement benefits schemes contributions	72,392	19,625
	1,196,068	1,182,128

The emoluments disclosed above include directors' fees of HK\$70,000 (2002: HK\$70,000) payable to independent non-executive directors and the emoluments of each of the directors were less than HK\$1 million in both years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2002: two) were executive directors and one (2002: one) was non-executive director whose emoluments are included in the disclosures above. The emoluments of the remaining two (2002: two) individuals were as follows:

	2003 HK\$	2002 HK\$
Salaries and other benefits	389,186	391,080
Retirement benefits schemes contributions	18,250	18,000
	407,436	409,080

13. TAXATION

	2003 HK\$	2002 HK\$
Current tax:		
Other jurisdictions	367,680	722,337
(Over)underprovision in prior years:		
Hong Kong	(3,924,607)	(6,000,000)
Other jurisdictions	98,047	28,974
	(3,458,880)	(5,248,689)
Deferred taxation	–	(138,040)
Taxation attributable to the Company and its subsidiaries	(3,458,880)	(5,386,729)
Share of taxation attributable to an associate	767,186	–
	(2,691,694)	(5,386,729)

Taxation arising in 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 the subsidiaries incurred tax losses in both years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

13. TAXATION (Continued)

The taxation credit for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2003 HK\$	2002 HK\$
Loss before taxation	(85,088,750)	(184,694,702)
Tax at the domestic income tax rate of 17.5% (2002: 16%)	(14,890,531)	(29,551,152)
Tax effect of expenses not deductible for tax purpose	17,983,640	26,009,768
Tax effect of income not taxable for tax purpose	(1,340,383)	(913,675)
Tax effect of utilisation of tax losses not previously recognised	(65,644)	–
Tax effect of tax losses not recognised	45,853	6,287,381
Effect of tax relief granted to a subsidiary	(268,823)	(376,515)
Tax effect of different tax rates of subsidiaries and associate operating in other jurisdictions	98,269	31,901
Share of tax effect of associate	(578,974)	–
Overprovision in prior years	(3,826,560)	(5,971,026)
Others	151,459	(903,411)
Taxation credit for the year	(2,691,694)	(5,386,729)

14. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year of HK\$84,759,908 (2002: HK\$179,241,540) and on 331,668,905 (2002: 331,668,905) ordinary shares in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

15. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP						THE COMPANY	
	Land and buildings in the PRC held under medium term lease	Amusement equipment	Lifts, electrical and other equipment	Exhibits, display items, furniture, fittings and costumes	Leasehold improvements	Trams, coaches and motor vehicles	Furniture and fittings	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
COST								
At 1st January, 2003	20,472,871	25,468,536	30,749,591	199,261	30,307,483	8,485,823	115,683,565	18,466
Additions	128,481	-	3,282,465	-	-	-	3,410,946	-
Disposals	(191,757)	-	(15,072)	-	-	-	(206,829)	-
Currency realignment	(215,169)	(151,770)	(286,806)	3,162	498,804	(89,607)	(241,386)	-
At 31st December, 2003	20,194,426	25,316,766	33,730,178	202,423	30,806,287	8,396,216	118,646,296	18,466
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2003	5,458,399	25,132,046	18,529,435	170,563	30,307,483	8,085,609	87,683,535	18,466
Provided for the year	830,288	253,286	2,667,718	16,395	-	90,271	3,857,958	-
Impairment loss reversed	-	-	(654,354)	-	-	-	(654,354)	-
Eliminated on disposals	(66,876)	-	-	-	-	-	(66,876)	-
Currency realignment	(61,691)	(68,566)	(168,526)	2,943	498,804	(85,858)	117,106	-
At 31st December, 2003	6,160,120	25,316,766	20,374,273	189,901	30,806,287	8,090,022	90,937,369	18,466
NET BOOK VALUES								
At 31st December, 2003	14,034,306	-	13,355,905	12,522	-	306,194	27,708,927	-
At 31st December, 2002	15,014,472	336,490	12,220,156	28,698	-	400,214	28,000,030	-

Included in the carrying amount of the Group's land and buildings in the PRC is land use rights of HK\$4,941,113 (2002: HK\$5,184,824).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

16. INVESTMENT PROPERTIES

	THE GROUP
	HK\$
AT VALUATION	
At 1st January, 2003	211,101,000
Currency realignment	4,719,041
Revaluation decrease	<u>(47,008,089)</u>
At 31st December, 2003	<u><u>168,811,952</u></u>

The carrying amount of investment properties comprises:

	2003 HK\$	2002 HK\$
Properties in Hong Kong under medium-term leases	47,800,000	45,600,000
Properties in Singapore under long leases	<u>121,011,952</u>	<u>165,501,000</u>
	<u>168,811,952</u>	<u><u>211,101,000</u></u>

All of the Group's investment properties are rented out under operating leases.

The investment properties in Hong Kong were revalued at 31st December, 2003 by DTZ Debenham Tie Leung, an independent firm of valuers, and the investment properties in Singapore were revalued at 12th December, 2003 jointly by Lawson David & Sung Surveyors Limited and Midland Surveyors Limited, independent firms of valuers, in existing state on an open market value basis. The net revaluation decrease, net of minority interests, amounted to HK\$45,943,129 (2002: HK\$10,740,681), of which HK\$491,191 (2002: HK\$10,740,681) has been charged to the investment property revaluation reserve and the remaining balance of HK\$45,451,938 (2002: Nil) has been charged to income statement.

Subsequent to the balance sheet date, the Group has disposed of its entire interest in the investment properties in Singapore to a wholly-owned subsidiary of Far East Consortium International Limited ("FEC"), a company which is controlled by certain directors of the Company. Details of this post balance sheet event are set out in note 43.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

17. LAND HELD FOR DEVELOPMENT

	THE GROUP HK\$	THE COMPANY HK\$
AT COST		
At 1st January, 2003 and 31st December, 2003	<u>2,734,382</u>	<u>1,994,382</u>

The land held for development of the Group and the Company is situated in Hong Kong held under medium-term leases.

The title of the Company's land held for development has not been transferred to the Company and is still registered in the name of the vendor companies which are controlled by certain directors as trustee for the Company.

18. LEISURE-ENTERTAINMENT COMPLEX

	THE GROUP 2003 HK\$	2002 HK\$
At 1st January	68,500,000	137,000,000
Less: Impairment loss recognised	<u>(68,499,999)</u>	<u>(68,500,000)</u>
At 31st December	<u>1</u>	<u>68,500,000</u>

In 1994, the Group entered into a building agreement with Singapore Leisure Industries Pte. Ltd. ("SLI") under which the Group would construct on land owned by SLI the building structure of a leisure-entertainment complex, known as the "Tang Dynasty City", in exchange for a 30 years lease to operate the leisure-entertainment complex.

In 1996, the Group entered into a sale and purchase agreement with Admiralty Leisure Pte. Ltd. ("AL") to sell in three phases its interests in the building agreement in respect of the leisure-entertainment complex. At this time, a new building agreement with precisely the same terms, was entered into between AL and SLI. Then in 1997, the Group entered into a deed of assignment with AL whereby AL agreed to assign to the Group, in certain circumstances, all the rights, benefits and advantages in connection with the interest in building agreement and leisure-entertainment complex.

In 2000, the Group completed the final sale to AL for a net receivable of HK\$137,000,000 resulting in the recognition of an impairment loss of HK\$153,576,789.

In 2001, AL was put into liquidation. Under the terms of the deed of assignment referred to above, the failure of AL to repay the receivable to the Group constituted a circumstance triggering the assignment of the interests in the building agreement and the leisure-entertainment complex to the Group. Such interest has, accordingly, been included in the Group's balance sheet at 31st December, 2001 at an amount equal to the net consideration of HK\$137,000,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

18. LEISURE-ENTERTAINMENT COMPLEX (Continued)

Following the liquidation of AL, the leisure-entertainment complex was handed back to SLI under a court order. Against this background, the directors are currently negotiating with SLI the terms of a revised building agreement, and in particular, regarding the usage of the leisure-entertainment complex and the lease term.

At 31st December, 2003, the directors assessed the recoverable amount of the Group's interest in the leisure-entertainment complex and the directors considered that the possibility of the leisure-entertainment complex to generate future cash flows to the Group is remote. Accordingly, an impairment loss of HK\$68,499,999 (2002: HK\$68,500,000) has been charged to the income statement during the year.

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$	2002 HK\$
Unlisted shares, at cost	152,190,009	152,190,009
Amounts due from subsidiaries, net of amount written off	432,033,722	466,278,597
	584,223,731	618,468,606
Less: Impairment loss and allowance recognised	(492,769,846)	(492,769,846)
	91,453,885	125,698,760

The amounts due from subsidiaries are unsecured and interest-free. In the opinion of directors, no repayment will be demanded within the next twelve months. Accordingly, the amount is classified as non-current asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

19. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries of the Company at 31st December, 2003 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
			Direct	Indirect	
Brentford Investments Inc.	Republic of Liberia/ Hong Kong	US\$200 Ordinary shares	100%	–	Securities investment
Cathay Motion Picture Studios Limited	Hong Kong/ Hong Kong	HK\$3,000,000 Ordinary shares	100%	–	Property investment
China Entertainment (Jiangsu) Development Ltd.	Hong Kong/ Hong Kong	HK\$2 Ordinary shares	100%	–	Investment holding
Far East Art and Cultural Corporation Limited	Hong Kong/ Hong Kong	HK\$2 Ordinary shares	100%	–	Property investment
Far East Holdings China Limited	Hong Kong/ Hong Kong	HK\$2 Ordinary shares	100%	–	Investment holding
Goldtrack Limited	Hong Kong/ Hong Kong	HK\$10,000 Ordinary shares	90%	–	Investment holding
Goodway Holdings Limited	British Virgin Islands/ Hong Kong	US\$1 Ordinary shares	100%	–	Investment holding
HealthOnline.com Limited	Hong Kong	HK\$10,000 Ordinary shares	100%	–	Inactive
Kwong Ming Amusement Company, Limited	Hong Kong/ Hong Kong	HK\$1,000 Ordinary shares HK\$448,000 Deferred shares	100%	–	Property investment

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

19. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
			Direct	Indirect	
Laichi Kok Amusement (Haimen) Company Limited	PRC/PRC**	RMB20,935,332 Paid up registered capital	100%	–	Operation of amusement park
Peterfame Company Limited	Hong Kong/ Hong Kong	HK\$10,000 Ordinary shares	100%	–	Property investment
Profess World Investments Limited	Hong Kong/ Hong Kong	HK\$10,000 Ordinary shares	100%	–	Property investment
RFC Far East Ltd.	British Virgin Islands/ Singapore	US\$10 Ordinary shares	100%	–	Investment holding
Tang City Properties Pte. Ltd.	Singapore/ Singapore	S\$100,000 Ordinary shares	90%	–	Property trading and investment
Tang Dynasty City Pte. Ltd.	Singapore/ Singapore	S\$25,000,000 Ordinary shares	95%	–	Construction, development and management of a leisure– entertainment complex in Singapore
Far East Holdings International Limited	Hong Kong	HK\$10,000 Ordinary shares	–	100%	Inactive
Far East Holdings (Jiangsu) Limited	Hong Kong/ Hong Kong	HK\$10,000 Ordinary shares	–	100%	Investment holding
FEH Strategic Investment Pte. Ltd.	Singapore/ Singapore	S\$10 Ordinary shares	–	90%	Property trading and investment
Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited	PRC/PRC*	US\$3,940,000 Paid up registered capital	–	51%	Garment manufacturing and sales

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

19. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
			Direct	Indirect	
RFC Far East Cafe Pte. Ltd.	Singapore	S\$100,000 Ordinary shares	–	100%	Inactive
Suzhou Goldtract Commodity Concrete Company Limited	PRC/PRC*	US\$1,840,000 Paid up registered capital	–	63%	Sales and production of commodity concrete
Tang City Parkway Pte. Ltd.	Singapore/ Singapore	S\$10 Ordinary shares	–	90%	Property investment
Tang Dynasty Catering Pte. Ltd.	Singapore	S\$100,000 Ordinary shares	–	95%	Inactive
TD Consultants Pte. Ltd.	Singapore	S\$100 Ordinary shares	–	95%	Inactive

* Sino-foreign equity joint venture

** Wholly foreign owned enterprise

None of the subsidiaries had any debt securities outstanding at the end of the year.

20. INTEREST IN AN ASSOCIATE

	THE GROUP		THE COMPANY	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Listed shares, at cost	–	–	16,020,034	16,020,034
Share of net assets	32,661,084	23,011,082	–	–
	<u>32,661,084</u>	<u>23,011,082</u>	<u>16,020,034</u>	<u>16,020,034</u>
Market value	<u>171,589,120</u>	<u>N/A</u>	<u>171,589,120</u>	<u>N/A</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

20. INTEREST IN AN ASSOCIATE (Continued)

Particulars of the associate of the Company at 31st December, 2003 are as follows:

Name of associate	Place of incorporation/ operation	Proportion of nominal value of issued share capital held by the Group	Principal activity
Chinasoft International Limited ("Chinasoft")	Cayman Islands/ PRC	27.64%	Provision of information technology services

The shares of Chinasoft are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited with effect from 20th June, 2003. Pursuant to the capitalisation issue and shares placing by Chinasoft on 20th June, 2003, the Company's shareholding in Chinasoft has decreased from 36.85% to 27.64%, resulting in a gain on deemed disposal of HK\$3,278,482 for the year.

The following details have been extracted based on the consolidated financial statements of Chinasoft:

	2003 HK\$	2002 HK\$
Results for the year		
Turnover	156,424,000	108,417,000
Profit before taxation	25,295,000	18,390,000
Profit before taxation attributable to the Group	7,692,000	6,777,000
Financial position		
Non-current assets	12,155,000	9,960,000
Current assets	159,426,000	80,580,000
Current liabilities	(39,742,000)	(17,132,000)
Non-current liabilities	(13,673,000)	(10,963,000)
Net assets	118,166,000	62,445,000
Net assets attributable to the Group	32,661,000	23,011,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

21. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2003	2002
	HK\$	HK\$
Share of net assets	7,068,982	7,061,482

At 31st December, 2003, the Group held 65% interest in Wuxi Cheerman Recreation Centre Co. Ltd. ("Wuxi Cheerman"), a joint venture registered and engaged in letting of properties in the PRC. Under a joint venture agreement, Wuxi Cheerman is jointly controlled by the Group and another PRC joint venture partner.

The Group's share of results of a jointly controlled entity was based upon its unaudited management accounts made up to 31st December, 2003.

22. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2003	2002	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
THE GROUP						
Listed equity securities:						
Hong Kong	12,436,432	16,729,501	5,804,640	2,631,890	18,241,072	19,361,391
Overseas	–	–	8,553,109	5,435,042	8,553,109	5,435,042
	12,436,432	16,729,501	14,357,749	8,066,932	26,794,181	24,796,433
Market value of listed equity securities	12,436,432	16,729,501	14,357,749	8,066,932	26,794,181	24,796,433
Carrying amount analysed for reporting purposes as:						
Current	–	–	14,357,749	8,066,932	14,357,749	8,066,932
Non-current	12,436,432	16,729,501	–	–	12,436,432	16,729,501
	12,436,432	16,729,501	14,357,749	8,066,932	26,794,181	24,796,433

At 31st December, 2002, the directors reviewed the recoverable amount of the Group's investment securities by reference to their market values at the balance sheet date. As the carrying value of the investment securities exceeded their market values, an impairment loss of HK\$30,358,368 was charged to the income statement for that year. At 31st December, 2003, the market values of the investment securities exceeded their carrying values and, accordingly, part of the impairment loss of HK\$3,089,978 has been reversed and credited to the income statement during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

22. INVESTMENTS IN SECURITIES (Continued)

	Other investments	
	2003	2002
	HK\$	HK\$
THE COMPANY		
Listed equity securities, at market value:		
Hong Kong	5,737,140	2,594,390
Overseas	8,157,706	5,112,827
	13,894,846	7,707,217

23. INVENTORIES

	THE GROUP	
	2003	2002
	HK\$	HK\$
Raw materials	3,558,925	3,561,596
Work in progress	1,243,385	1,945,524
Finished goods	1,737,346	2,083,304
	6,539,656	7,590,424

All the inventories are carried at cost.

The cost of inventories recognised as an expense during the year was HK\$67,115,648 (2002: HK\$60,921,572).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

24. TRADE AND OTHER RECEIVABLES

For sales of goods, the Group has a policy of allowing a credit period of 30-90 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	
	2003 HK\$	2002 HK\$
0 – 30 days	5,138,107	8,134,401
31 – 60 days	1,649,952	1,134,954
61 – 90 days	7,163,860	432,397
Over 90 days	3,766,526	4,962,007
Total trade receivables	17,718,445	14,663,759
Other receivables	7,893,044	13,602,803
	25,611,489	28,266,562

25. AMOUNT DUE FROM AN ASSOCIATE

The amount is unsecured, interest-free and repayable on demand.

26. TRADE AND OTHER PAYABLES

The aged analysis of trade payables is as follows:

	THE GROUP	
	2003 HK\$	2002 HK\$
0 – 30 days	4,196,817	1,901,547
31 – 60 days	1,801,377	1,245,205
61 – 90 days	688,124	661,615
Over 90 days	7,536,591	14,125,740
Total trade payables	14,222,909	17,934,107
Other payables	42,052,672	30,367,108
	56,275,581	48,301,215

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

27. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest-free and repayable on demand.

28. AMOUNTS DUE TO RELATED COMPANIES

The amounts are unsecured, interest-free and repayable on demand. The related companies are controlled by certain directors of the Company.

29. AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY

The amount is unsecured, interest-free and repayable on demand.

30. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
THE GROUP				
Amounts payable under finance leases:				
Within one year	–	10,690	–	8,409
In the second to fifth year inclusive	–	19,574	–	15,418
	<u>–</u>	<u>30,264</u>	<u>–</u>	<u>23,827</u>
Less: Future finance charges	–	(6,437)	–	–
	<u>–</u>	<u>23,827</u>	<u>–</u>	<u>23,827</u>
Present value of lease obligations	<u>–</u>	<u>23,827</u>	<u>–</u>	<u>23,827</u>
Less: Amount due within one year shown under current liabilities			–	(8,409)
Amount due after one year			<u>–</u>	<u>15,418</u>

The obligations under finance leases have been fully repaid during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

31. BANK AND OTHER LOANS

	THE GROUP		THE COMPANY	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Bank and other loans comprise:				
Bank loans	147,365,100	149,126,603	29,485,729	27,053,211
Other loans	2,589,687	4,554,518	2,589,687	4,554,518
	<u>149,954,787</u>	<u>153,681,121</u>	<u>32,075,416</u>	<u>31,607,729</u>
Analysed as:				
Secured	149,954,787	150,566,855	32,075,416	31,607,729
Unsecured	–	3,114,266	–	–
	<u>149,954,787</u>	<u>153,681,121</u>	<u>32,075,416</u>	<u>31,607,729</u>
The above loans are repayable as follows:				
Within one year	141,372,463	146,167,701	26,075,416	26,807,729
More than one year, but not exceeding two years	2,411,001	4,800,000	2,000,000	4,800,000
More than two years, but not exceeding five years	4,197,833	–	4,000,000	–
More than five years	1,973,490	2,713,420	–	–
	<u>149,954,787</u>	<u>153,681,121</u>	<u>32,075,416</u>	<u>31,607,729</u>
Less: Amount due within one year shown under current liabilities	<u>(141,372,463)</u>	<u>(146,167,701)</u>	<u>(26,075,416)</u>	<u>(26,807,729)</u>
Amount due after one year	<u>8,582,324</u>	<u>7,513,420</u>	<u>6,000,000</u>	<u>4,800,000</u>

Included in the Group's bank and other loans due within one year at 31st December, 2002 was an amount of HK\$6,717,280 in respect of bank loans advanced to certain subsidiaries of the Company. At 31st December, 2003, HK\$6,256,572 of such bank loans have been repaid by the Group and the remaining balance of HK\$460,708 has been fully repaid in February 2004.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

31. BANK AND OTHER LOANS (Continued)

In addition, included in the Group's bank and other loans due within one year at 31st December, 2003 is an amount of HK\$113,529,540 in respect of bank loans advanced to TCP. TCP is a company in which the Company has a 90% interest and Mr. Dennis Chiu, a director of the Company, has a 10% interest. On 22nd December, 2003, the Company and Mr. Dennis Chiu entered into a conditional sale and purchase agreement in connection with the disposal of their interests in TCP to a wholly-owned subsidiary of FEC and the procurement by FEC of the bank refinancing arrangements pertaining to TCP. Subsequent to the balance sheet date, the bank has released and discharged the Group of the outstanding loans and a new bank loan facility of approximately S\$25.6 million (equivalent to approximately HK\$116.6 million) has been drawn by TCP. Details of this post balance sheet event are set out in note 43.

32. SHARE CAPITAL

	2003 HK\$	2002 HK\$
Authorised:		
700,000,000 ordinary shares of HK\$1 each	<u>700,000,000</u>	<u>700,000,000</u>
Issued and fully paid:		
331,668,905 ordinary shares of HK\$1 each	<u>331,668,905</u>	<u>331,668,905</u>

33. RESERVES

	Share premium HK\$	Accumulated losses HK\$	Total HK\$
THE COMPANY			
At 1st January, 2002	282,892,010	(410,110,063)	(127,218,053)
Loss for the year	<u>–</u>	<u>(87,358,027)</u>	<u>(87,358,027)</u>
At 1st January, 2003	282,892,010	(497,468,090)	(214,576,080)
Loss for the year	<u>–</u>	<u>(35,086,186)</u>	<u>(35,086,186)</u>
At 31st December, 2003	<u>282,892,010</u>	<u>(532,554,276)</u>	<u>(249,662,266)</u>

The Company did not have any distributable reserves at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

34. DEFERRED TAXATION

The followings are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation	Tax losses	Total
	HK\$	HK\$	HK\$
THE GROUP			
At 1st January, 2002	435,499	(435,499)	–
Charge (credit) to income	114,135	(114,135)	–
At 31st December, 2002	549,634	(549,634)	–
Charge (credit) to income	124,413	(124,413)	–
Effect of change in tax rate			
– charge to income statement	51,528	(51,528)	–
At 31st December, 2003	725,575	(725,575)	–

For the purpose of balance sheet presentation, the above deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (Revised).

At 31st December, 2003, the Group has unused tax losses of approximately HK\$115.8 million (2002: HK\$113.7 million) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$4.1 million (2002: HK\$3.4 million) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

The Company has unused tax losses of approximately HK\$75.9 million (2002: HK\$76.3 million) at 31st December, 2003. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

35. DISPOSAL OF SUBSIDIARIES

As detailed in note 11(a), the Group disposed of its entire equity interest in SIL in 2002. The effect of the disposal are summarised as follows:

	2003 HK\$	2002 HK\$
NET ASSETS DISPOSED OF:		
Property, plant and equipment	–	130,665,465
Land held for development	–	30,936,352
Inventories	–	25,006
Properties under development for sale	–	14,385,935
Trade and other receivables	–	4,299,201
Bank balances and cash	–	241,819
Trade and other payables	–	(35,510,065)
Tax payable	–	(8,516,039)
Obligations under finance leases	–	(898,904)
Bank and other loans	–	(79,741,583)
Deferred tax liabilities	–	(97,440)
Minority interests	–	(29,233,468)
	–	26,556,279
Exchange losses realised	–	27,080,997
	–	53,637,276
Loss on disposal of subsidiaries	–	(46,817,276)
	–	6,820,000
SATISFIED BY:		
Cash	–	682,000
Deferred consideration, included in other receivables	–	6,138,000
	–	6,820,000
NET CASH INFLOW ARISING ON DISPOSAL:		
Cash consideration	–	682,000
Bank balances and cash disposed of	–	(241,819)
	–	440,181

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

35. DISPOSAL OF SUBSIDIARIES (Continued)

The deferred consideration was subsequently settled by the purchaser in February 2003.

The subsidiaries disposed of in 2002 contributed approximately HK\$11.1 million to the Group's turnover and contributed approximately HK\$1.8 million to the Group's loss from operations.

36. MAJOR NON-CASH TRANSACTION

In 2002, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$351,190.

37. PLEDGE OF ASSETS

At the balance sheet date:

- (a) bank loan facilities to the extent of approximately HK\$16.2 million (2002: HK\$22 million), of which HK\$16.2 million (2002: HK\$22 million) were utilised, are secured by the Group's investment properties in Hong Kong with an aggregate net book value of approximately HK\$47.8 million (2002: HK\$45.6 million);
- (b) margin trading facilities in respect of securities transactions to the extent of approximately HK\$7.0 million (2002: HK\$5.9 million), of which HK\$2.6 million (2002: HK\$4.6 million) were utilised, are secured by the listed investments of the Group and the Company of approximately HK\$14 million (2002: HK\$17 million) and HK\$13.7 million (2002: HK\$16.7 million), respectively;
- (c) overdraft and revolving loan facilities to the extent of approximately HK\$40.3 million (2002: HK\$46.2 million), of which HK\$13.3 million (2002: HK\$11.2 million) were utilised, are secured by time deposits held by the Company of approximately HK\$14.3 million (2002: HK\$6.6 million) and by a floating charge over all the asset of the Company;
- (d) banking facilities to the extent of approximately HK\$117.6 million (2002: HK\$115.5 million), of which HK\$116.3 million (2002: HK\$115.4 million) were utilised, are secured by:
 - (i) certain of the Group's investment properties in Singapore with an aggregate net book value of approximately HK\$118.5 million (2002: HK\$164.5 million); and
 - (ii) severally guaranteed by the Company and a director of the Company.
- (e) bank loan facilities of approximately HK\$0.3 million (2002: Nil) are secured by land use rights held by a subsidiary with net book value of approximately HK\$2.6 million (2002: Nil).
- (f) bank loan facilities borrowings of approximately HK\$0.9 million (2002: Nil) are secured by a blending machine held by a subsidiary with net book value of approximately HK\$2.5 million (2002: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

38. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Guarantees given to banks, in respect of banking facilities utilised by subsidiaries	<u>-</u>	<u>-</u>	<u>122,990,249</u>	<u>130,944,432</u>

39. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Commitments contracted but not provided for in the financial statements in respect of capital contribution to a subsidiary	<u>-</u>	<u>-</u>	<u>9,678,271</u>	<u>9,678,271</u>

40. OPERATING LEASE ARRANGEMENTS

Property rental income earned during the year was HK\$8,926,389 (2002: HK\$10,232,263). The properties held have committed tenants for the next two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2003 HK\$	2002 HK\$
Within one year	<u>1,755,000</u>	<u>9,342,138</u>
In the second to fifth year inclusive	<u>1,512,000</u>	<u>4,874,526</u>
	<u>3,267,000</u>	<u>14,216,664</u>

41. RELATED PARTY TRANSACTIONS

During the year, the Group has disposed of 10,000,000 shares in FEC with a carrying amount of HK\$3,650,000 to Far East Hotels & Entertainment Limited, a company which is controlled by certain directors of the Company, for a cash consideration of HK\$2,750,000.

In addition, the Group has entered into conditional sale and purchase agreements with certain related parties, details of which are set out in note 43.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

42. RETIREMENT BENEFITS SCHEMES

The Group participates in certain defined contribution schemes in Hong Kong and Singapore and make contributions for its eligible employees. The contributions borne by the Group are calculated at certain percentage of the salaries and wages. The retirement benefits cost charged to the income statement represents contributions paid and payable to the scheme.

43. POST BALANCE SHEET EVENT

On 22nd December, 2003, the Group entered into conditional sale and purchase agreements, pursuant to which, inter alia, the Company and Mr. Dennis Chiu agreed to dispose of their entire interests in TCP to a wholly-owned subsidiary of FEC at a consideration of S\$1, and FEC agreed to procure the refinancing of the bank loan facility of S\$25 million obtained by TCP and to take over the net external trade and non-trade creditors of TCP of S\$1.1 million. TCP and its subsidiaries were incorporated in Singapore and held all of the Group's investment properties in Singapore. The transaction has had no material effect on the result of the Group.

Details of the transaction are set out in a circular of the Company dated 16th January, 2004. The transaction has been completed in February 2004.

FIVE YEARS FINANCIAL SUMMARY

At 31st December, 2003

	For the year ended 31st December,				
	1999	2000	2001	2002	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RESULTS					
Turnover	<u>94,691</u>	<u>181,935</u>	<u>147,197</u>	<u>90,124</u>	<u>84,678</u>
Loss from operations before share of results of associates and a jointly controlled entity	(95,965)	(96,396)	(59,975)	(192,296)	(92,789)
Share of results of associates	7	–	1,695	6,777	7,692
Share of results of a jointly controlled entity	<u>–</u>	<u>(841)</u>	<u>92</u>	<u>824</u>	<u>8</u>
Loss before taxation	(95,958)	(97,237)	(58,188)	(184,695)	(85,089)
Taxation	<u>(424)</u>	<u>(844)</u>	<u>(1,031)</u>	<u>5,387</u>	<u>2,692</u>
Loss before minority interests	(96,382)	(98,081)	(59,219)	(179,308)	(82,397)
Minority interests	<u>7,980</u>	<u>5,337</u>	<u>2,544</u>	<u>66</u>	<u>(2,363)</u>
Loss for the year	<u>(88,402)</u>	<u>(92,744)</u>	<u>(56,675)</u>	<u>(179,242)</u>	<u>(84,760)</u>
Loss per share	<u>(29.6 cents)</u>	<u>(29.6 cents)</u>	<u>(17.1 cents)</u>	<u>(54.0 cents)</u>	<u>(25.6 cents)</u>
As at 31st December,					
	1999	2000	2001	2002	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS AND LIABILITIES					
Total assets	881,696	861,894	727,519	416,850	319,354
Total liabilities	(378,923)	(415,330)	(365,670)	(244,001)	(229,766)
Minority interests	<u>(61,427)</u>	<u>(58,358)</u>	<u>(50,578)</u>	<u>(16,922)</u>	<u>(16,411)</u>
Shareholders' funds	<u>441,346</u>	<u>388,206</u>	<u>311,271</u>	<u>155,927</u>	<u>73,177</u>

PARTICULARS OF PROPERTIES HELD BY THE GROUP

At 31st December, 2003

A. INVESTMENT PROPERTIES

Location	Group's interests	Approximate site area (sq.ft.)	Existing use	Term of lease
In Hong Kong				
1. Lower G/F to 3/F Kwai Chung Fa Yuen 50-56 Wo Yi Hop Road Kwai Chung, New Territories (78/1015th shares of and in KCTL 266)	100%	11,279	Commercial	Medium
2. Hunghom Commercial Centre 37-39 Ma Tau Wai Road, Kowloon (300/12841st shares of and in R.P. of Sec. O of KML 40)	100%	11,505	Commercial	Medium
3. G/F to 3/F, Tung Fai Court 2 Shui Che Kwun Street Yuen Long, New Territories (165/750th shares of and in YLTL 287 and 349)	100%	7,515	Commercial	Medium
4. 2/F, Podium A, Wealthy Garden 12-28 Tsuen Fu Street 36-48 Tsuen Wah Street and 1-27 Tsuen Kwai Street Tsuen Wan, New Territories (17179/417205th shares of and in the R.P. of TWTL 252)	100%	20,254	Commercial	Medium
In Singapore				
1. Parkway Centre 1 Marine Parade Central (Singapore Lot 5586T of Mukim 26)	90%	57,191	Commercial	Long

PARTICULARS OF PROPERTIES HELD BY THE GROUP

At 31st December, 2003

B. LANDS HELD FOR DEVELOPMENT

Location	Group's interests	Approximate site area (sq.ft.)	Existing use	Term of lease
In Hong Kong				
1. Half share in Lots 5, 9, 10, 12, 14, 15, 17, 18, 19, 20, 33 and 72 in DD 447, Tsuen Wan New Territories	100%	40,075	Agriculture	Medium
2. Lots 46, 47, 48, 49, 107, 108, 109 and 110 in DD279, Tuen Mun New Territories	100%	36,155	Agriculture	Medium
3. Lots 421 and 718 in DD 395 Tin Fu Tsai, Tuen Mun New Territories	100%	22,216	Agriculture	Medium
4. Lots 968, 969, 970, 971, 972, 973, 975, 976, 977, 978 R.P., 980 R.P. and 981 R.P. in DD 82 Ta Kwu Ling, Fanling New Territories	100%	53,070	Agriculture	Medium
5. The Remaining Portion of Lot No. 445 in DD 360 Chuen Lung, Tsuen Wan New Territories	100%	710	Agriculture	Medium
6. 13.075% Interest in Lot No. 389 Chuen Lung, Tsuen Wan New Territories	100%	19,000	Commercial	Medium

C. LEISURE-ENTERTAINMENT COMPLEX

Location	Group's interests	Approximate site area (sq.ft.)	Existing use	Expected completion date	Stage of completion	Term of lease
Plot A, 7312 Mk. 6 Jalan Ahamd Ibrahim Yuan Ching Road Jurong, Singapore	95%	513,710	Leisure- enter- tainment park	N/A	Completed	Medium
	95%	770,565	Leisure- enter- tainment park	N/A	Work-in progress (Phase II and III)	Medium

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 Friday, 28th May, 2004 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, 2003.
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. As special business, 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 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.

NOTICE OF ANNUAL 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).”

5. As special business, to consider and, if thought fit, pass with or without modification, the following resolutions as Special Resolutions:

“THAT the Articles of Association of the Company be and are hereby amended in the following manner:

(I) Article 1:

- (i) By adding the following definitions after the definition of “The Ordinance”:

“Listing Rules” shall mean the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time.

“Exchange” shall mean The Stock Exchange of Hong Kong Limited as amended from time to time.

- (ii) By adding the following definition after the definition of “The Board”:

“associate” shall have the meaning ascribed to it under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

- (iii) By adding the following definition after the definition of “the Register”:

“clearing house” shall mean a recognized clearing house as defined under Schedule 1 to the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) as amended from time to time.

- (II) By deleting the existing Article 10 and substituting the following:

- “10 (i) Every Member shall be entitled without payment to one certificate under the Seal of the Company, specifying the shares held by him and the amount paid up thereon. Such certificate shall be delivered to the Member within two months after the allotment of such shares.
- (ii) That fully-paid shares shall be free from any restriction on the right of transfer (except when permitted by the Exchange) and shall also be free from all lien.”

NOTICE OF ANNUAL GENERAL MEETING

(III) By deleting the existing Article 57 and substituting the following:

“57. Every question submitted to a General Meeting shall be determined in the first instance by a show of hands of the members present in person, but a poll may be demanded (before or upon the declaration of the result of the show of hands) by the Chairman or by:-

- (i) not less than three members present in person or by proxy having the right to vote at the meeting; or
- (ii) a member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iii) a member or members present in person or by proxy holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Unless a poll is duly demanded in accordance with the foregoing provisions a declaration by the Chairman that a resolution has been carried or lost or has or has not been carried by any particular majority, and an entry to that effect in the minutes of the proceedings of the Company, shall be conclusive evidence of the fact without proof of the number, proportion or validity of the votes recorded in favour of or against such resolution.”

(IV) By adding the following Article as Article 61A after the existing Article 61:

“61A. Where any Member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.”

(V) By deleting the last two words of “so authorised” of Article 65 and substituting therefor with the words of “duly authorised”;

(VI) By deleting the existing Article 65A and substituting the following:

“65A If a clearing house or a nominee of clearing house is a member of the Company, it may authorise such person or persons as it thinks fit to act as its representative or representatives at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person so authorised under the provision of these Articles shall be entitled to exercise the same powers on behalf of the clearing house (or its nominee) which he represents as the clearing house (or its nominee) could exercise if it were an individual member of the Company.

NOTICE OF ANNUAL GENERAL MEETING

(VII) By deleting the Article 74(b) in its entirety and substituting therefor the following:

“(b) Notwithstanding such disclosure is made in Article 74(a), a Director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting, but this prohibition shall not apply to:

- (1) the giving of any security or indemnity either:
 - (a) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
 - (b) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/ themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (2) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (3) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;
- (4) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:
 - (a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his associate(s) may benefit; or
 - (b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his associate(s) as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

NOTICE OF ANNUAL GENERAL MEETING

- (5) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.”

(VIII) By deleting the entire Articles 79 and 80 and substitutes therefor the following:-

“79. Subject to the provisions of these Articles at the Annual General Meeting in each year one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office. A retiring Director shall retain office until the conclusion of the meeting or adjourned meeting at which he is due to retire.”

“80. Subject to the provisions of these Articles and until otherwise determined by the Company by Ordinary Resolution the Directors to retire in every year shall be the Directors who have been longest in office since their last election or appointment. As between Directors of equal seniority, the Directors to retire shall (unless such Directors of equal seniority shall agree otherwise amongst themselves) be selected from among them by lot. A retiring Director shall be eligible for re-election.”

(IX) By deleting the words “the latest date for lodgement of such notices will be not more than seven days prior to the date of the Meeting appointed for such election” in Article 81 (b) and substituting the following:

“the period for lodgement of the notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting.”

(X) By adding the following paragraph after the existing paragraph in Article 84:

“That any person appointed by the directors to fill a casual vacancy on or as an addition to the board shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election.

(XI) By deleting the word “Special” on the first line of Article 86 and substituting the word “Ordinary”.

“**THAT** the words “the Colony of” wherever appear before the words “Hong Kong” in the Memorandum and Articles of Association of the Company be deleted.”

By Order of the Board

Kwok Wor Chow

Company Secretary

Hong Kong, 21st April, 2004

NOTICE OF ANNUAL GENERAL MEETING

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.
- (3) In accordance with the Company's Articles of Association and the Companies Ordinance (a) not less than three members present in person or by proxy having the right to vote at the meeting; or (b) a member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (c) a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right may demand that the vote in respect of any resolution to be put to the general meeting be taken on a poll (on or before the declaration of the result of the shows of hands).
- (4) In relation to item 2 of this notice, Mr. Deacon Te Ken Chiu, Mr. Dennis Chiu, Dato' David Chiu, Mr. Daniel Tat Jung Chiu, Mr. Derek Chiu, Mr. Desmond Chiu, Ms. Margaret Chiu, Mr. Chi Man Ma, and Mr. Siu Hong Chow shall retire by rotation, and being eligible, offer themselves for re-election at the Annual General Meeting pursuant to the Company's Articles of Association.

Mr. Dennis Chiu, B.A., was appointed an Executive Director and Managing Director of the Company in 1981 and 1993 respectively. Mr. Dennis Chiu was redesignated as Executive Director on 23 April 2004. Mr. Chiu has been actively involved in the business development in the People's Republic of China, Singapore and Malaysia. He is an Executive Director of Far East Consortium International Limited and a Non-executive Director of Far East Hotels and Entertainment Limited. He is also a Non-executive Director of London-listing Fortune Oil Plc. He is the son of Mr. Deacon Te Ken Chiu and the brother of Messrs. David Chiu, Daniel Tat Jung Chiu, Derek Chiu, Desmond Chiu, Duncan Chiu and Miss Margaret Chiu. As at the date of this Notice Mr. Dennis Chiu is interested in 55,510,200 shares of the Company (including 30,400,000 shares registered in the name of Cape York Investments Ltd., a company jointly owned with Mr. Daniel Tat Jung Chiu) and 1,250,000 shares in Tang Dynasty City Pte Ltd., a subsidiary of the Company.

Mr. Deacon Te Ken Chiu, Dato' David Chiu, Mr. Derek Chiu and Ms. Margaret Chiu is interested in 24,886,600 shares, 28,040,000 shares, 201,000 shares and 5,000,000 shares of the Company respectively. Mr. Daniel Tat Jung Chiu is interested in 83,400,200 shares of the Company (including 30,400,000 shares registered in the name of Cape York Investments Limited, a company owned with Mr. Dennis Chiu jointly and 42,000,200 shares registered in the name of Gorich Holdings Limited. Their biographical details are mentioned under the heading of "Profile of the Directors and Senior Management" in the Annual Report 2003.

None of the directors of the Company has a contract of service with the Company or any of its subsidiaries. The amount of emoluments payable to the respective directors is determined by the Company with reference to the level and/or range of remuneration package normally granted by employers in Hong Kong to a senior executive of comparable calibre and job responsibilities at reasonable amount.

- (5) The Special Resolutions as set out in item 5 of this notice are proposed mainly to amend the Articles of Association of the Company to ensure compliance with the recent amendments to the Listing Rules.
- (6) The Board of Directors of the Company comprises executive directors namely Mr. Deacon Te Ken Chiu, Mr. Duncan Chiu, Mr. Dennis Chiu; non-executive 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 and Mr. Siu Hong Chow.