

**INTERIM RESULTS
FOR THE SIX MONTHS
ENDED 30TH JUNE, 1998**

The Board of Directors of Far East Holdings International Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June, 1998 are as follows:

	Six months ended 30th June, 1998 HK\$'000	Six months ended 30th June, 1997 HK\$'000
TURNOVER	<u>988,132</u>	<u>859,583</u>
OPERATING LOSS		
Continuing operations excluding exceptional item	(7,325)	(4,209)
Exceptional item (<i>Note 2</i>)	<u>(5,966)</u>	<u>(1,286)</u>
LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION	(13,291)	(5,495)
TAXATION (<i>Note 3</i>)	<u>(217)</u>	<u>(3,255)</u>
LOSS BEFORE MINORITY INTERESTS	(13,508)	(8,750)
MINORITY INTERESTS	<u>4,270</u>	<u>(888)</u>
	(9,238)	(9,638)
INTERIM DIVIDEND	<u>–</u>	<u>–</u>
LOSS FOR THE PERIOD	<u>(9,238)</u>	<u>(9,638)</u>
LOSS PER SHARE (<i>Note 4</i>)	<u>(3.09 cents)</u>	<u>(3.23 cents)</u>

Notes:

(1) Comparative figures

In previous periods, the Group's trading in derivative financial products was not considered part of the Group's continuing operations and the profit and loss arising therefrom was included in the Group's profit and loss account as an exceptional item. However, in the second half of 1997, as the Group continued to trade in derivative financial products, the Directors recognised that such activity had developed and formed part of the continuing operations of the Group. Accordingly, the relevant turnover and exceptional item in the comparative figures in last period have been reclassified to conform with the current period's presentation.

(2) Exceptional item

The following exceptional item has been charged in arriving at the operating loss:

	Six months ended 30th June, 1998 HK\$'000	Six months ended 30th June, 1997 HK\$'000
Provision for diminution in value of investments made	<u>(5,966)</u>	<u>(1,286)</u>

(3) Taxation

Provision for Hong Kong profits tax is calculated at the rate of 16% (1997 – 16.5%) based on the estimated assessable profits for the period. Overseas subsidiaries provide for taxation at the prevailing rates of taxation applicable to the countries in which they operate. No provision for deferred tax has been made for the Company as the effect of timing differences is immaterial. No provision for deferred tax is required for subsidiaries as there are deferred tax debits which will be recognized only when they become crystallized.

The tax charges comprise:

	Six months ended 30th June, 1998 HK\$'000	Six months ended 30th June, 1997 HK\$'000
Company and subsidiaries		
Hong Kong	–	(1,780)
Overseas	(217)	(1,475)
	<u>(217)</u>	<u>(3,255)</u>

(4) Loss per share

The calculation of loss per share is based on the loss for the period of HK\$9,238,120 (1997 – HK\$9,638,639) and on 298,568,905 ordinary shares (1997 – 298,568,905 ordinary shares) in issue during the period.

INTERIM DIVIDEND

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30th June, 1998 (1997 – nil).

BUSINESS REVIEW AND PROSPECTS

As a result of the Asian financial crisis, economies of Hong Kong as well as most of the countries in the region have experienced a dramatic economic contraction. The crisis has taken toil in every corner of our Group's business. Accordingly, the Group's results, even with its extensive and diversified business activities, were by no exception affected.

During the period under review, the Group's turnover recorded HK\$988,132,441 (1997 – HK\$859,582,918), an increase of 14.95% over the corresponding period of last year. However, in view of the Group's prudent accounting policy and the persistent financial turmoil during the first half of 1998, further provisions were made for diminution in value of the listed securities held in Hong Kong and Japan. In this regard, the operating results of the Group for the six months ended 30th June, 1998 remain disappointed and recorded a loss of HK\$9,238,120 (1997 – HK\$9,638,639). The Group considers that the provisions taken so far for the investment in listed securities are adequate and prudent unless the situation turns worse.

Hong Kong

During the period, the Group's main income in Hong Kong is the theatres rental which has been adversely affected by the poor outlook of this industry. Study is being made to upgrade various premises for more efficient use.

Malaysia

Malaysia is undergoing rapid changes in the economic front. This is worsen by the recent political uncertainties of leadership changes and the measures in exchange control imposed by the government. Such measures may affect short-term foreign investors and speculators but our Group's business and operation in Malaysia will not be affected as we have been informed by the relevant authorities that we are regarded as long-term investors.

The property division in Seremban Golf Resort has been adversely affected by the market downturn while the club division remains stable. As a result, the turnover arising from the sale of bungalows dropped drastically during the period. With the easing of the interest rates, it is likely that the market sentiments will improve and the operating costs of the resort will reduce accordingly.

Since the Group considers that the property market in Malaysia remains weak for the time being and the development of luxury housing is not appropriate in this critical time, our plans for the development of resort bungalows and homesteads in the district of Ulu Selangor, Mukim, Kerling are being reviewed. We will keep track of the market and will re-consider it when the market sentiment turns.

Singapore

It is the most stable market in the South East Asia with the government expecting modest growth for the year.

The Parkway Builders' Centre, the Group's office property in Singapore, contributed a steady rental income during the period even though the rental market in Singapore has softened considerably.

With regard to the theme restaurant, Rainforest Cafe, the Group has decided to pull out from the Malaysia launch because of the economic downturn. However, we are studying the possible sites in Singapore as we have been enticed by various owners of shopping centres with extremely favourable terms.

China

The Li Yuan Amusement Park(海門荔園遊樂場), which commenced business in January this year, and the joint venture garment factory in Jiangsu performed satisfactorily and are operating profitably during the period.

In summary, the prospect of the Group is very much affected by the Asia crisis although the financial position of the Group remains healthy with its low gearing ratio.

It is foreseen that the unfavourable economic conditions will last longer and the business environment is getting more difficult. In this connection, the Group will adhere to a cautious investment strategy and to adopt appropriate measures to minimise the adverse impact of unfavourable market factors on our operating results.

DIRECTORS' INTERESTS IN SHARES

As at 30th June, 1998, the interests of Directors in the share capital of the Company and associated corporations as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

The Company

Name of Director	Number of ordinary shares held			Total
	Personal Interests	Family Interests	Corporate Interests	
Deacon Te Ken Chiu	48,000	6,110,000	135,305,411*	141,463,411
Dennis Chiu	21,610,200	–	20,400,000 [#]	42,010,200
Daniel Tat Jung Chiu	11,000,000	–	20,400,000 [#]	31,400,000
Derek Chiu	201,000	–	–	201,000
Desmond Chiu	10,000,000	–	–	10,000,000
Margaret Chiu	5,000,000	–	–	5,000,000
Duncan Chiu	1,035,600	–	–	1,035,600

* *Of the 135,305,411 shares, 93,540,200 shares are beneficially held by Far East Consortium International Limited.*

[#] *The 20,400,000 shares are held by Cape York Investments Limited, a company owned by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu.*

Associated Corporations

Name of Director	Name of associated corporation	Number of ordinary shares held
Dennis Chiu	Tang Dynasty City Pte. Ltd.	1,250,000
Dennis Chiu	Tang City Properties Pte. Ltd.	10,000

Save as disclosed above and other than certain shares in subsidiaries held solely in a non-beneficial capacity by Directors for the Company or its subsidiaries, none of the Directors or Chief Executives, or their associates, had any interest in the securities of the Company or its associated corporations as defined in the SDI Ordinance and none of the Directors or Chief Executive, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 1998, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that, other than the interest disclosed above in respect of the Directors, the Company has been notified of the following interests representing 10% or more of the Company's issued share capital:

Name of Shareholder	Number of ordinary shares held
Far East Consortium International Limited ("FECIL") (Note 1)	93,540,200
Far East Consortium (B.V.I.) Limited ("FECBVIL") (Note 2)	93,540,200
Far East Consortium Limited ("FECL") (Note 3)	65,208,200

Notes:

1. FECIL was deemed to be interested in those shares by virtue of its 100% shareholding in FECBVIL. The shareholding beneficially held by FECIL are entirely duplicated and included in the shareholding stated in the corporate interest of Mr. Deacon Te Ken Chiu, the Chairman of the Company, as mentioned in the section headed "DIRECTORS' INTERESTS IN SHARES" above.
2. FECBVIL was deemed to be interested in those shares by virtue of its controlling shareholding in FECL and its 100% shareholding in a company which directly held 28,332,000 shares in the Company.
3. FECL was deemed to be interested in those shares by virtue of its direct shareholding of 29,327,000 shares in the Company and its 100% shareholding in three companies which directly held 35,881,200 shares in the Company in aggregate.

Save as disclosed above, the Company has not been notified of any interest representing 10% or more of the issued share capital of the Company.

CODE OF BEST PRACTICE

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months period ended 30th June, 1998, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that the Non-executive Directors are not appointed for a specific term as they are subject to retirement and re-election at Annual General Meeting in accordance with the Company's Articles of Association.

YEAR 2000 ISSUE

The Directors have been drawn to the problem of the Year 2000 compliance and appropriate measures have been taken on this issue. It is found that most of the computer software currently used by the Group are Year 2000 compliant except for the accounting software.

In this connection, a new accounting software will be acquired and implemented in early 1999. It is estimated that the cost of the software will not exceed HK\$100,000. Accordingly, the Directors believe that the problem of millennium bug will not have a material adverse effect on the business and operations of the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period under review, the Company and its subsidiaries have not purchased, sold or redeemed any of the shares in the Company.

On behalf of the Board
Dennis Chiu
Managing Director

Hong Kong, 25th September, 1998