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The English text of this Interim Report shall prevail over the Chinese text.

# CORPORATE INFORMATION

## PLACE OF INCORPORATION

Hong Kong

## BOARD OF DIRECTORS

*Executive Directors:*

Deacon Te Ken CHIU, J.P.

*(Chairman)*

Dennis CHIU, B.A.

*(Managing Director)*

Duncan CHIU, B.Sc.

*(Joint Managing Director)*

Dato' David CHIU, B.Sc.

*Non-executive Directors:*

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

## SOLICITORS

Woo, Kwan, Lee & Lo

Vincent T.K. Cheung Yap & Co

Balkenende Chew & Siaw

## AUDITORS

Deloitte Touche Tohmatsu

*Certified Public Accountants*

Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

The Bank of East Asia, Limited

The Development Bank of

Singapore Limited

The Hongkong and Shanghai Banking

Corporation 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

## WEBSITE

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

# JOINT MANAGING DIRECTOR'S STATEMENT

## INTERIM RESULTS

The Board of Directors of Far East Technology International Limited (the "Company") announces the unaudited interim financial results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2002 together with comparative figures for the previous year. This unaudited interim financial results has been reviewed by the Company's audit committee.

### 1. Corporate Results

Turnover for the six months ended 30th June, 2002 was HK\$47,596,000 as compared to HK\$57,133,000 in the corresponding period of 2001, a decrease of the 17%. Loss attributable to shareholders was HK\$91,947,000.

### 2. Financial Resources and Liquidity

#### *Borrowing and charge on Group assets*

The business activities of the Group are funded by bank borrowing, unsecured loans and cash generated from operating activities. The Group's total bank and other borrowings amount to approximately HK\$235 million as at 30th June 2002 (31st December, 2001: HK\$232 million), in which HK\$203 million (31st December, 2001: HK\$199 million) was payable within one year and HK\$32 million (31st December, 2001: HK\$33 million) was payable after one year. HK\$222 million (31st December, 2001: HK\$218 million) of the borrowings was secured while the remaining HK\$13 million (31st December, 2001: HK\$14 million) was unsecured.

Interest rates were in line with the best lending rates either at prime or based on the Hong Kong Inter-bank Offer Rate. The Group did not have any financial instruments used for hedging purpose.

#### *Gearing ratio*

The gearing ratio (total bank and other borrowings to shareholders' equity) as at 30th June, 2002 was 104% (31st December, 2001: 75%).

#### *Current ratio*

The current ratio as at 30th June, 2002 was 0.24. (31st December, 2001: 0.23).

# JOINT MANAGING DIRECTOR'S STATEMENT

## 2. Financial Resources and Liquidity (Continued)

### *Exchange rate*

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

### *Pledge of assets*

At the reporting date, the Group's investment properties, plant, equipment, motor vehicles, listed investments and bank deposits with an aggregate net book value of approximately HK\$448 million (31st December, 2001: HK\$437 million) together with that of 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\$397 million (31st December, 2001: HK\$352 million) and HK\$244 million (31st December, 2001: HK\$240 million) respectively.

### *Contingent liabilities*

At the reporting date, contingent liabilities of the Group in respect of guarantees given to bank, in respect of banking facilities utilised by subsidiaries were approximately HK\$152 million (31st December, 2001: HK\$148 million).

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

During the interim period, there was no material acquisition and disposal of subsidiaries and associated companies by the Group.

## **JOINT MANAGING DIRECTOR'S STATEMENT**

### **INTERIM DIVIDEND**

The Directors have resolved not to declare an interim dividend for the six months ended 30th June, 2002 (Six months ended 30th June, 2001: Nil).

### **BUSINESS REVIEW AND PROSPECTS**

During the first half of 2002, the Group underwent several business restructures. This restructuring process will carry on throughout the year, during which non-performing assets and subsidiaries will be considered to be sold or be ceased. The Board believes that this restructuring process is necessary and will help to cut operation costs and reduce losses which is for the best benefits of the Company and its shareholders in the long term.

Our joint venture Company with China National Computer Software and Technology Services Corporation ("CS&S"), Chinasoft International Limited is again growing steadily. Both revenue and profit see strong growth during the period.

The Group's joint venture garment factory – Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited is also making positive returns. Sales order from Japan remain strong and we forecast the sales to remain stable for the near future.

Cinemas in Hong Kong had been converted into commercial use and had been rented out except the Mandarin Theatre in Hunghom and contribute steady rental incomes.

Performance of the Golf Resort in Malaysia is disappointing. The market remains weak and with decreasing spendings for the whole country we could not be optimistic with this operation in the coming year. Sales of bungalows in the Resort was slow due to the poor economic situation. We have to await for the economy to improve in the future to improve its sales.

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

The Group has ceased operation of its RFC Restaurant in Singapore due to unsatisfactory performance over the years. The Board decided in June that the food and beverage sector in Singapore is too weak and the market does not justify for the Company to carry on operation of its RFC Restaurant.

## **JOINT MANAGING DIRECTOR'S STATEMENT**

### **BUSINESS REVIEW AND PROSPECTS** (Continued)

During the period, the Directors have assessed the net realisable value and recoverable amount on the Group's interest in Tang Dynasty City, the leisure-entertainment complex in Singapore. The Board believes that the continuing operation of the leisure-entertainment complex is not likely to generate positive cash flows to the Group in the near future. And it is unlikely that the Group's interest in leisure-entertainment complex is expected to be recovered. And we have to further provide an impairment loss for our interest in Tang Dynasty City.

### **EMPLOYEE AND REMUNERATION POLICIES**

The number of employees of the Group as at 30th June, 2002 was approximately 600. Employees are remunerated according to nature of the job and market conditions. The Group has not adopted any share option scheme and training scheme for the employees during the period.

Commencing from 1st December, 2000, the Group operates a Mandatory Provident Fund Scheme for all qualifying employees.

On behalf of the Board

**Duncan Chiu**

*Joint Managing Director*

Hong Kong, 20th September, 2002

## ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING RULES

### DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2002, the interests of Directors and their associates in the share capital of the Company and associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

| Name of Director               | Number of ordinary shares held |                  |                     |                 |
|--------------------------------|--------------------------------|------------------|---------------------|-----------------|
|                                | Personal interests             | Family interests | Corporate interests | Total interests |
| Deacon Te Ken Chiu             |                                |                  |                     |                 |
| The Company                    | 5,048,000                      | 6,110,000        | 99,768,800*         | 110,926,800     |
| Dennis Chiu                    |                                |                  |                     |                 |
| The Company                    | 16,610,200                     | —                | 30,400,000#         | 47,010,200      |
| Tang Dynasty City Pte. Ltd.    | 1,250,000                      | —                | —                   | 1,250,000       |
| Tang City Properties Pte. Ltd. | 10,000                         | —                | —                   | 10,000          |
| Daniel Tat Jung Chiu           |                                |                  |                     |                 |
| The Company                    | 11,000,000                     | —                | 30,400,000#         | 41,400,000      |
| Derek Chiu                     |                                |                  |                     |                 |
| The Company                    | 201,000                        | —                | —                   | 201,000         |
| Margaret Chiu                  |                                |                  |                     |                 |
| The Company                    | 5,000,000                      | —                | —                   | 5,000,000       |
| Duncan Chiu                    |                                |                  |                     |                 |
| The Company                    | 18,836,211                     | —                | —                   | 18,836,211      |

\* Of the 99,768,800 shares, 93,540,200 shares are beneficially held by Far East Consortium International Limited.

# The 30,400,000 shares are held by Cape York Investments Limited, a company owned by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu.

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, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interest disclosed above in respect of certain Directors, the following shareholders have an interest of 10% or more in the share capital of the Company.

| Name of Shareholder  | Number of<br>ordinary share held | %    |
|--|----------------------------------|------|
| Far East Consortium International Limited<br>("FECIL") ( <i>Note 1</i> ) | 93,540,200                       | 28.2 |
| Far East Consortium (B.V.I.) Limited<br>("FECBVIL") ( <i>Note 2</i> )    | 93,540,200                       | 28.2 |
| Far East Consortium Limited ("FECL") ( <i>Note 3</i> )                   | 65,208,200                       | 19.7 |

### 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 is entirely duplicated or 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 other interest representing 10% or more of the Company's issued share capital as at 30th June, 2002.

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

## CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months period ended 30th June, 2002, 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.



# CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

|   |       | Six months ended           |                           |
|---|-------|----------------------------|---------------------------|
|   |       | 30/6/2002                  | 30/6/2001                 |
|   |       | (unaudited)                | (unaudited)               |
|   | Notes | HK\$'000                   | HK\$'000                  |
| Turnover  | 3     | 47,596                     | 57,133                    |
| Cost of sales   |       | <u>(34,738)</u>            | <u>(38,331)</u>           |
| Gross profit  |       | 12,858                     | 18,802                    |
| Other revenue   |       | 4,144                      | 1,941                     |
| Distribution costs  |       | (273)                      | (253)                     |
| Administrative expenses   | 4     | (14,936)                   | (24,035)                  |
| Other operating expenses  |       | <u>(1,464)</u>             | <u>(409)</u>              |
| Profit (loss) from operations   |       | 329                        | (3,954)                   |
| Impairment loss recognised in respect of property, plant & equipment    | 5     | (17,945)                   | –                         |
| Impairment loss recognised on interest in leisure-entertainment complex | 6     | (68,500)                   | –                         |
| Finance costs   |       | (6,336)                    | (9,210)                   |
| Share of results of a jointly controlled entity                         |       | <u>59</u>                  | <u>(421)</u>              |
| Loss before taxation  |       | (92,393)                   | (13,585)                  |
| Taxation  | 7     | <u>(586)</u>               | <u>181</u>                |
| Loss before minority interests  |       | (92,979)                   | (13,404)                  |
| Minority interests  |       | <u>1,032</u>               | <u>2,221</u>              |
| Net loss for the period   |       | <u><u>(91,947)</u></u>     | <u><u>(11,183)</u></u>    |
| Dividends   | 8     | <u>Nil</u>                 | <u>Nil</u>                |
| Loss per share  |       |                            |                           |
| Basic   | 9     | <u><u>(27.7 cents)</u></u> | <u><u>(3.4 cents)</u></u> |

# CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE, 2002

|   |       | 30/6/2002<br>(unaudited)<br>HK\$'000 | 31/12/2001<br>(audited)<br>HK\$'000 |
|---|-------|--------------------------------------|-------------------------------------|
|   | Notes |                                      |                                     |
| <b>Non-current Assets</b>                 |       |                                      |                                     |
| Investment properties                     |       | 227,410                              | 219,169                             |
| Property, plant and equipment             | 10    | 165,846                              | 190,228                             |
| Land held for development                 |       | 33,519                               | 33,822                              |
| Interest in leisure-entertainment complex | 11    | 68,500                               | 137,000                             |
| Investments in associates                 |       | 18,114                               | 18,114                              |
| Investment in a jointly controlled entity |       | 6,296                                | 6,237                               |
| Investments in securities                 |       | 46,804                               | 46,804                              |
|   |       | <u>566,489</u>                       | <u>651,374</u>                      |
| <b>Current Assets</b>                     |       |                                      |                                     |
| Inventories                               |       | 4,383                                | 4,709                               |
| Properties under development for sale     |       | 14,471                               | 14,809                              |
| Investments in securities                 |       | 10,685                               | 10,618                              |
| Trade and other receivables               | 12    | 30,986                               | 30,271                              |
| Amounts due from associates               |       | 576                                  | 282                                 |
| Pledged bank deposits                     |       | 6,614                                | 2,564                               |
| Bank balances and cash                    |       | 11,996                               | 12,891                              |
|   |       | <u>79,711</u>                        | <u>76,144</u>                       |
| <b>Current Liabilities</b>                |       |                                      |                                     |
| Trade and other payables                  | 13    | 95,782                               | 98,318                              |
| Amounts due to directors                  |       | 16,719                               | 13,093                              |
| Amounts due to related companies          |       | 902                                  | 907                                 |
| Tax liabilities                           |       | 20,357                               | 20,520                              |
| Obligations under finance leases          |       |                                      |                                     |
| – current portion                         |       | 883                                  | 762                                 |
| Bank and other borrowings                 |       |                                      |                                     |
| – current portion                         | 14    | 203,347                              | 198,813                             |
|   |       | <u>337,990</u>                       | <u>332,413</u>                      |
| <b>Net Current Liabilities</b>            |       | <u>(258,279)</u>                     | <u>(256,269)</u>                    |
|   |       | <u>308,210</u>                       | <u>395,105</u>                      |

# CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE, 2002

|                                  |              | 30/6/2002<br>(unaudited)<br>HK\$'000 | 31/12/2001<br>(audited)<br>HK\$'000 |
|----------------------------------|--------------|--------------------------------------|-------------------------------------|
|                                  | <i>Notes</i> |                                      |                                     |
| <b>Capital and Reserves</b>      |              |                                      |                                     |
| Share capital                    | 15           | 331,669                              | 331,669                             |
| Reserves                         |              | (104,964)                            | (20,398)                            |
|                                  |              | <u>226,705</u>                       | <u>311,271</u>                      |
| <b>Minority Interests</b>        |              | <u>48,984</u>                        | <u>50,578</u>                       |
| <b>Non-current Liabilities</b>   |              |                                      |                                     |
| Bank and other borrowings        |              |                                      |                                     |
| – long term portion              | 14           | 32,054                               | 32,716                              |
| Deferred taxation                |              | 232                                  | 239                                 |
| Obligations under finance leases |              |                                      |                                     |
| – long term portion              |              | 235                                  | 301                                 |
|                                  |              | <u>32,521</u>                        | <u>33,256</u>                       |
|                                  |              | <u>308,210</u>                       | <u>395,105</u>                      |

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

|   | Six months ended |                          |
|---|------------------|--------------------------|
|   | 30/6/2002        | 30/6/2001                |
|   | (unaudited)      | (unaudited and restated) |
|   | HK\$'000         | HK\$'000                 |
| OPERATING ACTIVITIES                                  |                  |                          |
| Cash generation by operation                          | 12,983           | (1,188)                  |
| Profits tax paid                                      | (750)            | 181                      |
| Interest paid   | (6,315)          | (9,200)                  |
| Finance charges on obligation under finance leases    | (21)             | (10)                     |
| NET CASH FROM (USED IN) OPERATING ACTIVITIES          | 5,897            | (10,217)                 |
| INVESTING ACTIVITIES                                  |                  |                          |
| Interest received                                     | –                | 327                      |
| Proceeds on disposal of property, plant and equipment | 3                | –                        |
| Proceeds on disposal of associates                    | –                | 5,430                    |
| Acquisition of property, plant and equipment          | (2,853)          | (1,299)                  |
| Increase in pledged bank deposits                     | (4,049)          | (200)                    |
| NET CASH (USED IN) FROM INVESTING ACTIVITIES          | (6,899)          | 4,258                    |
| FINANCING ACTIVITIES                                  |                  |                          |
| Repayment of bank loans                               | (2,278)          | –                        |
| Repayment of obligations under finance leases         | (53)             | (32)                     |
| New long term bank loans raised                       | –                | 12,031                   |
| Increase in short-term bank loans                     | 4,355            | 440                      |
| NET CASH FROM FINANCING ACTIVITIES                    | 2,024            | 12,439                   |
| NET INCREASE IN CASH AND CASH EQUIVALENTS             | 1,022            | 6,480                    |
| CASH AND CASH EQUIVALENTS AT 1ST JANUARY              | 8,767            | 2,092                    |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES               | 83               | (569)                    |
| CASH AND CASH EQUIVALENTS AT 30TH JUNE                | 9,872            | 8,003                    |
| ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS |                  |                          |
| Bank balances and cash                                | 11,996           | 20,380                   |
| Bank overdrafts                                       | (2,124)          | (12,377)                 |
|   | 9,872            | 8,003                    |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

|  | Share<br>capital<br><i>HK\$'000</i> | Share<br>premium<br><i>HK\$'000</i> | Investment<br>property<br>revaluation<br>reserve<br><i>HK\$'000</i> | Exchange<br>reserve<br><i>HK\$'000</i> | Accumulated<br>losses<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|-------------------------------------|-------------------------------------|---|--|--|--------------------------|
| At 1st January, 2001   | 331,669                             | 282,892                             | 27,059  | (22,023)                               | (231,390)                                | 388,207                  |
| Net revaluation decrease<br>less minority interests                        | -                                   | -                                   | (14,900)  | -                                      | -  | (14,900)                 |
| Loss for the year  | -                                   | -                                   | -   | -                                      | (56,675)                                 | (56,675)                 |
| Exchange differences<br>arising on translation<br>of overseas subsidiaries | -                                   | -                                   | -   | (5,361)                                | -  | (5,361)                  |
| At 31st December, 2001<br>and 1st January, 2002                            | 331,669                             | 282,892                             | 12,159  | (27,384)                               | (288,065)                                | 311,271                  |
| Loss for the period  | -                                   | -                                   | -   | -                                      | (91,947)                                 | (91,947)                 |
| Exchange differences<br>arising on translation<br>of overseas subsidiaries | -                                   | -                                   | -   | 7,381                                  | -  | 7,381                    |
| At 30th June, 2002   | <u>331,669</u>                      | <u>282,892</u>                      | <u>12,159</u>   | <u>(20,003)</u>                        | <u>(380,012)</u>                         | <u>226,705</u>           |
| At 1st January, 2000   | 331,669                             | 282,892                             | 11,853  | (13,321)                               | (138,647)                                | 474,446                  |
| Released on disposal   | -                                   | -                                   | (418)   | -                                      | -  | (418)                    |
| Net revaluation decrease<br>less minority interests                        | -                                   | -                                   | 15,623  | -                                      | -  | 15,623                   |
| Loss for the year  | -                                   | -                                   | -   | -                                      | (92,743)                                 | (92,743)                 |
| Exchange differences<br>arising on translation<br>of overseas subsidiaries | -                                   | -                                   | -   | (8,702)                                | -  | (8,702)                  |
| At 31st December, 2000<br>and 1st January, 2001                            | 331,669                             | 282,892                             | 27,058  | (22,023)                               | (231,390)                                | 388,206                  |
| Loss for the period  | -                                   | -                                   | -   | -                                      | (11,183)                                 | (11,183)                 |
| Exchange differences<br>arising on translation<br>of overseas subsidiaries | -                                   | -                                   | -   | 3,265                                  | -  | 3,265                    |
| At 30th June, 2001   | <u>331,669</u>                      | <u>282,892</u>                      | <u>27,058</u>   | <u>(18,758)</u>                        | <u>(242,573)</u>                         | <u>380,288</u>           |

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## 1. Basis of preparation

The condensed financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and with the applicable disclosures requirements of Appendix 16 to the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited and should be read in conjunction with the 2001 annual financial statements.

## 2. Accounting policy and comparative figures

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and investments in securities.

The accounting policies and methods of computation used in the preparation of these unaudited condensed financial statements are consistent with those used in the Group's annual financial statements for the year ended 31st December, 2001, except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2002:

|                    |                                      |
|--------------------|--------------------------------------|
| SSAP 1 (Revised):  | Presentation of Financial Statements |
| SSAP 11 (Revised): | Foreign Currency Translation         |
| SSAP 15 (Revised): | Cash Flow Statements                 |
| SSAP 25 (Revised): | Interim Financial Reporting          |
| SSAP 34:           | Employee Benefits                    |

The changes to the Group's accounting policies and the effect of adopting these new and revised standards are set out below:

### *SSAP 11 (Revised): Foreign Currency Translation*

The balance sheets of the Company's subsidiaries express in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the income statements are translated at an average rate. Exchange differences arising are dealt with as a movement in reserves.

In prior periods, the income statements of subsidiaries were translated at closing rate. This is a change in accounting policy, however, the translation of the income statements of subsidiaries in prior period have not been restated as the effect of this change are not material to the current and prior period.

## 2. **Accounting policy and comparative figures** (Continued)

### *SSAP 15 (Revised): Cash Flow Statements*

In accordance with SSAP 15 (Revised) cash flows are classified under three headings: “Operating activities”, “Investing activities”, and “Financing activities”. Interest and dividends which were previously present under a separate heading, should be classified on a consistent basis under either operating, investing or financing activities. Cash flows arising from taxes on income would typically be classified as operating activities, unless they can be separately identified with investing or financing activities.

In addition, cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### *SSAP 34: Employee Benefits*

This new SSAP prescribes the accounting and disclosure for employee benefits. There is no material impact on the financial results and financial position of the Group by the adoption of this new SSAP and accordingly comparative figures have not been restated.

During the period, the adoption of the other new and revised standards has no material effect on the Group’s condensed financial statements other than presentation changes. Certain comparative figures for the prior period have been reclassified to conform with the current period’s presentation.

### 3. Business and geographical segments

#### Business segments

|   | Securities investment |                  | Property development and investment |                  | Entertainment and leisure              |                  | Industries       |                  | Eliminations     |                  | Consolidated     |                  |
|---|-----------------------|------------------|-------------------------------------|------------------|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|   |                       |                  |                                     |                  | Six months ended 30th June (unaudited) |                  |                  |                  |                  |                  |                  |                  |
|   | 2002<br>HK\$'000      | 2001<br>HK\$'000 | 2002<br>HK\$'000                    | 2001<br>HK\$'000 | 2002<br>HK\$'000                       | 2001<br>HK\$'000 | 2002<br>HK\$'000 | 2001<br>HK\$'000 | 2002<br>HK\$'000 | 2001<br>HK\$'000 | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| TURNOVER  |                       |                  |                                     |                  |  |                  |                  |                  |                  |                  |                  |                  |
| External sales  | 2,894                 | 11,056           | 7,028                               | 6,516            | 7,192                                  | 12,000           | 30,482           | 27,561           | -                | -                | 47,596           | 57,133           |
| Inter-segment sales   | -                     | -                | -                                   | -                | 823                                    | 773              | -                | -                | (823)            | (773)            | -                | -                |
| Total turnover  | <u>2,894</u>          | <u>11,056</u>    | <u>7,028</u>                        | <u>6,516</u>     | <u>8,015</u>                           | <u>12,773</u>    | <u>30,482</u>    | <u>27,561</u>    | <u>(823)</u>     | <u>(773)</u>     | <u>47,596</u>    | <u>57,133</u>    |
| Inter-segment sales are charged at prevailing market rates.                   |                       |                  |                                     |                  |  |                  |                  |                  |                  |                  |                  |                  |
| RESULT  |                       |                  |                                     |                  |  |                  |                  |                  |                  |                  |                  |                  |
| Segment results   | <u>(2,039)</u>        | <u>742</u>       | <u>5,691</u>                        | <u>1,766</u>     | <u>(8,700)</u>                         | <u>(8,176)</u>   | <u>1,233</u>     | <u>(227)</u>     | <u>-</u>         | <u>-</u>         | <u>(3,815)</u>   | <u>(5,895)</u>   |
| Other revenue   | 1,540                 | 940              | 41                                  | 103              | 2,538                                  | 868              | 25               | 30               |                  |                  | 4,144            | 1,941            |
| Profit (loss) from operations   |                       |                  |                                     |                  |  |                  |                  |                  |                  |                  | 329              | (3,954)          |
| Impairment loss recognised in respect of property, plant & equipment          | -                     | -                | -                                   | -                | (17,945)                               | -                | -                | -                |                  |                  | (17,945)         | -                |
| Impairment loss recognised on the interest in leisure - entertainment complex | -                     | -                | -                                   | -                | (68,500)                               | -                | -                | -                |                  |                  | (68,500)         | -                |
| Finance costs   |                       |                  |                                     |                  |  |                  |                  |                  |                  |                  | (6,336)          | (9,210)          |
| Share of results of a jointly controlled entity                               | -                     | -                | -                                   | -                | 59                                     | (421)            | -                | -                |                  |                  | 59               | (421)            |
| Loss before taxation  |                       |                  |                                     |                  |  |                  |                  |                  |                  |                  | (92,393)         | (13,585)         |
| Taxation  | -                     | -                | (276)                               | 207              | -                                      | (22)             | (310)            | (4)              |                  |                  | (586)            | 181              |
| Loss after taxation   |                       |                  |                                     |                  |  |                  |                  |                  |                  |                  | <u>(92,979)</u>  | <u>(13,404)</u>  |



### 3. Business and geographical segments (Continued)

#### Geographical segments

|           | Sales revenue by<br>geographical market<br>Six months ended |                                      | Contribution to profit<br>(loss) from operations<br>Six months ended |                                      |
|-----------|---|--------------------------------------|--|--------------------------------------|
|           | 30/6/2002<br>(unaudited)<br>HK\$'000                        | 30/6/2001<br>(unaudited)<br>HK\$'000 | 30/6/2002<br>(unaudited)<br>HK\$'000                                 | 30/6/2001<br>(unaudited)<br>HK\$'000 |
| Hong Kong | 13,547  | 5,290                                | 1,660  | (3,948)                              |
| Malaysia  | 4,798   | 5,359                                | 298  | (1,401)                              |
| Singapore | 8,016   | 11,969                               | (774)  | (4,814)                              |
| PRC       | 10,317  | 11,198                               | (2,078)  | 3,610                                |
| Japan     | 10,918  | 23,317                               | 1,223  | 2,599                                |
|           | <u>47,596</u>   | <u>57,133</u>                        | <u>329</u>   | <u>(3,954)</u>                       |

### 4. Staff expenses & depreciation

During the period, the Group's staff expenses of approximately HK\$6.6 million (six months ended 30th June, 2001: HK\$8.3 million) was charged.

During the period, depreciation of approximately HK\$6.2 million (six months ended 30th June, 2001: HK\$6.2 million) was charged in respect of the Group's property, plant and equipment.

### 5. Impairment loss recognised in respect of property, plant and equipment

During the period, the directors have assessed the recoverable amount of the investment in RFC Far East Cafe Pte. Ltd. and in view of the continuing operating loss incurred in this company .

An impairment loss of property, plant & equipment HK\$17,945,000 was recognised during the period in respect of leasehold improvement HK\$17,324,000 & electrical and other equipment HK\$621,000 which were used in Rainforest Cafe in which Rainforest Cafe operation was almost totally ceased in Singapore in August, 2002.

## 6. Impairment loss recognised on interest in leisure-entertainment complex

During the period, the directors have assessed the net realisable value and recoverable amount on the Group's interest in leisure-entertainment complex which the continuing operation of leisure-entertainment complex is not able to generate positive cash flows to the Group in future, as it is unlikely the Group's interest in leisure-entertainment complex is expected to be recoverable. An impairment loss of HK\$68,500,000 has been recognised on interest in leisure-entertainment complex.

## 7. Taxation

|                              | <b>Six months ended</b> |                    |
|------------------------------|-------------------------|--------------------|
|                              | <b>30/6/2002</b>        | <b>30/6/2001</b>   |
|                              | <b>(unaudited)</b>      | <b>(unaudited)</b> |
|                              | <b>HK\$'000</b>         | <b>HK\$'000</b>    |
| The charge comprises:        |                         |                    |
| The Company and Subsidiaries |                         |                    |
| Profits Tax for the period   |                         |                    |
| Hong Kong                    | –                       | –                  |
| Other jurisdictions          | <u>(586)</u>            | <u>181</u>         |
|                              | <u><b>(586)</b></u>     | <u><b>181</b></u>  |

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit during the period (six months ended 30th June, 2001: 16%). Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

At the reporting date, 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 recognised only when they become crystallized.

## 8. Dividends

The Directors have resolved not to declare any interim dividend for the six months ended 30th June, 2002 (six months ended 30th June, 2001: Nil).

## 9. Loss per share

The calculation of loss per share is based on the loss for the period of HK\$91,947,000 (six months ended 30th June, 2001: HK\$11,183,000) and on 331,668,905 (six months ended 30th June, 2001: 331,668,905) ordinary shares in issue during the period. As there was no dilutive potential ordinary share for the period ended 30th June, 2002, no diluted loss per share was presented.

#### 10. Additions to and impairment loss in respect of property, plant and equipment

The Group spends approximately HK\$2,853,000 during the period (for the year ended 31st December 2001: HK\$1,526,000) of which HK\$Nil (for the year ended 31st December, 2001: HK\$314,000) on construction in progress; HK\$462,000 (for the year ended 31st December, 2001: Nil) on additions to golf resort complex in overseas held under freehold land; HK\$416,000 (for the year ended 31st December, 2001: HK\$491,000) on additions to lifts electrical and other equipment; HK\$1,975,000 (for the year ended 31st December, 2001: HK\$46,000) on additions to exhibits, display items, furniture, fittings and costumes; HK\$Nil (for the year ended 31st December, 2001: HK\$675,000) on trams, coaches and motor vehicles.

An impairment loss in respect of property, plant & equipment HK\$17,945,000 was recognised during the period in respect of leasehold improvement HK\$17,324,000 & electrical and other equipment HK\$621,000 which were used in Rainforest Cafe in which Rainforest Cafe operation was almost totally ceased in Singapore in August, 2002 (for the year ended 31st December, 2001: an impairment loss of HK\$914,000 was made in respect of other equipment which were used in a business line in which operation is almost totally ceased in PRC.)

#### 11. Interest in leisure-entertainment complex

|   | <b>THE GROUP</b>   |                   |
|---|--------------------|-------------------|
|   | <b>30/6/2002</b>   | <b>31/12/2001</b> |
|   | <b>(unaudited)</b> | <b>(audited)</b>  |
|   | <b>HK\$'000</b>    | <b>HK\$'000</b>   |
| At 1st January                          | <b>137,000</b>     | –                 |
| Less: Impairment loss ( <i>note 6</i> ) | <b>(68,500)</b>    | –                 |
|   | <b>68,500</b>      | –                 |
| Assignment during the year              | –                  | 137,000           |
|   | <b>68,500</b>      | <b>137,000</b>    |

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.

## 11. Interest in leisure-entertainment complex (Continued)

In 2000, the Group completed the final sale to AL for a net receivable of HK\$137 million 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 had accordingly, been included in the Group's balance sheet as at 31st December, 2001 at an amount equal to the net consideration of HK\$137 million.

Following the liquidation of AL, the leisure-entertainment complex was handed back to SLI under a court order. Against this background, the directors negotiated with SLI the terms of a revised building agreement, and in particular, regarding the usage of the leisure-entertainment complex and the lease term. The Directors were of the opinion that the Group's interest in the leisure-entertainment complex was worth at least its carrying value.

During the period, the directors have assessed the net realisable value and recoverable amount on the Group's interest in leisure-entertainment complex which the continuing operation of leisure-entertainment complex is not able to generate positive cash flows to the Group in future, as it is unlikely the Group's interest in leisure-entertainment complex is expected to be recoverable. An impairment loss of HK\$68,500,000 has been recognised on interest in leisure-entertainment complex.

## 12. Trade and other receivables

For sales of goods, the Group has a policy of allowing an average credit period of 30-90 days to its trade customers. Rental receivables from tenants and service income receivables from customers are payable on presentation of invoices. The ageing analysis of trade receivables at the reporting date is as follows:

|                         | THE GROUP                            |                                     |
|-------------------------|--------------------------------------|-------------------------------------|
|                         | 30/6/2002<br>(unaudited)<br>HK\$'000 | 31/12/2001<br>(audited)<br>HK\$'000 |
| 0 – 30 days             | 4,883                                | 3,566                               |
| 31 – 60 days            | 1,200                                | 2,437                               |
| 61 – 90 days            | 528                                  | 291                                 |
| Over 90 days            | 10,090                               | 8,945                               |
|                         | <hr/>                                | <hr/>                               |
| Total trade receivables | 16,701                               | 15,239                              |
| Other receivables       | 14,285                               | 15,032                              |
|                         | <hr/>                                | <hr/>                               |
|                         | 30,986                               | 30,271                              |
|                         | <hr/> <hr/>                          | <hr/> <hr/>                         |

### 13. Trade and other payables

The ageing analysis of trade payables at the reporting date is as follows:

|                      | <b>THE GROUP</b>   |                   |
|----------------------|--------------------|-------------------|
|                      | <b>30/6/2002</b>   | <b>31/12/2001</b> |
|                      | <b>(unaudited)</b> | <b>(audited)</b>  |
|                      | <b>HK\$'000</b>    | <b>HK\$'000</b>   |
| 0 – 30 days          | 2,497              | 2,706             |
| 31 – 60 days         | 3,575              | 1,486             |
| 61 – 90 days         | 1,546              | 379               |
| Over 90 days         | 18,334             | 16,845            |
|                      | <hr/>              | <hr/>             |
| Total trade payables | 25,952             | 21,416            |
| Other payables       | 69,830             | 76,902            |
|                      | <hr/>              | <hr/>             |
|                      | <b>95,782</b>      | <b>98,318</b>     |
|                      | <hr/> <hr/>        | <hr/> <hr/>       |

### 14. Bank and other borrowings

|                 | <b>THE GROUP</b>   |                   |
|-----------------|--------------------|-------------------|
|                 | <b>30/6/2002</b>   | <b>31/12/2001</b> |
|                 | <b>(unaudited)</b> | <b>(audited)</b>  |
|                 | <b>HK\$'000</b>    | <b>HK\$'000</b>   |
| Bank overdrafts | 2,124              | 4,123             |
| Bank loans      | 224,653            | 223,069           |
| Other loans     | 8,624              | 4,337             |
|                 | <hr/>              | <hr/>             |
|                 | <b>235,401</b>     | <b>231,529</b>    |
|                 | <hr/> <hr/>        | <hr/> <hr/>       |
| Secured         | 222,031            | 217,308           |
| Unsecured       | 13,370             | 14,221            |
|                 | <hr/>              | <hr/>             |
|                 | <b>235,401</b>     | <b>231,529</b>    |
|                 | <hr/> <hr/>        | <hr/> <hr/>       |

The maturity of the bank loans and overdrafts is as below:

|  |                |                |
|--|----------------|----------------|
| Within one year  | 203,347        | 198,813        |
| More than one year, but<br>not exceeding two years             | 24,712         | 30,847         |
| More than two years, but<br>not exceeding five years           | 7,342          | 1,869          |
|  | <hr/>          | <hr/>          |
|  | <b>235,401</b> | <b>231,529</b> |
| Amounts due within one year shown under<br>current liabilities | (203,347)      | (198,813)      |
|  | <hr/>          | <hr/>          |
| Amounts due after one year                                     | <b>32,054</b>  | <b>32,716</b>  |
|  | <hr/> <hr/>    | <hr/> <hr/>    |

## 15. Share capital

|   | Number of<br>ordinary shares<br>of HK\$1 each<br>(in thousand) | Nominal<br>value<br>HK\$'000 |
|---|--|------------------------------|
| <b>Authorised:</b>  |  |                              |
| At 1st January, 2001,<br>31st December, 2001,<br>1st January, 2002<br>and 30th June 2002  | <u>700,000</u>   | <u>700,000</u>               |
| <b>Issued and fully paid:</b>   |  |                              |
| At 1st January, 2001,<br>31st December, 2001,<br>1st January, 2002<br>and 30th June, 2002 | <u>331,669</u>   | <u>331,669</u>               |

There was no movement in the authorised, issued and fully paid share capital of the Company in the current interim reporting period.

## 16. Pledge of assets

At the reporting date:

- (a) Margin trading facilities in respect of securities transactions to the extent of approximately HK\$7.3 million (31st December, 2001: HK\$7.3 million) of which HK\$4.3 million (31st December, 2001: HK\$4.3 million) were utilised, are secured by the Group's listed investments of approximately HK\$46.4 million (31st December, 2001: HK\$46 million);
- (b) the term loans granted to a Group's subsidiary obtained from licensed financial institutions to the extent of approximately HK\$89 million (31st December, 2001: HK\$89 million), of which HK\$74 million (31st December, 2001: HK\$77 million) were utilised are secured by:
  - (i) Group's golf resort complex and properties under development in Malaysia with an aggregate net book value of approximately HK\$144 million (31st December, 2001: HK\$144 million);
  - (ii) fixed and floating charge over the land and properties of the respective subsidiary; and
  - (iii) jointly and severally guarantees by a director of the Company and a director of the respective subsidiary.

## 16. Pledge of assets (Continued)

- (c) banking facilities to the extent of approximately HK\$133 million (31st December, 2001: HK\$127 million) of which HK\$119 million (31st December, 2001: HK\$115 million) were utilised, are secured by:
  - (i) Group's investment properties in Singapore with an aggregate net book value of approximately HK\$181 million (31st December, 2001: HK\$173 million); and
  - (ii) severally guaranteed by the Company and a director of the Company.
- (d) banking facilities to the extent of approximately HK\$3.5 million (31st December, 2001: HK\$3.5 million) of which HK\$3.5 million (31st December, 2001: HK\$3.5 million) were utilised, are secured by the Group's plant equipment and motor vehicles in PRC with an aggregate book value of approximately HK\$0.5 million (31st December, 2001: HK\$2 million);
- (e) banking facilities to the extent of approximately HK\$2 million (31st December, 2001: HK\$3.8 million) of which HK\$1.8 million (31st December, 2001: HK\$3.8 million) were utilised, are secured by:
  - (i) Group's property, plant equipment in Singapore with an aggregate net book value of approximately HK\$22 million (31st December, 2001: HK\$22 million); and
  - (ii) severally guaranteed by the Company and a director of the Company.
- (f) loan facilities obtained from a third party to the extent of approximately HK\$13 million (31st December, 2001: HK\$12 million) of which HK\$12 million (31st December, 2001: HK\$11 million) were utilised, are secured by:
  - (i) Group's bank deposits approximately HK\$0.9 million (31st December, 2001: HK\$0.8 million) was pledged in favour of the third party; and
  - (ii) guaranteed by the Company.

Save as disclosed above, other banking facilities which were set out in note 38 of the Group's Annual Report 2001 remained unchanged during the period under review.

## 17. Contingent liabilities

At the reporting date, there were contingent liabilities, so far as not provided for in the financial statements as follows:

|                          | THE GROUP         |                   | THE COMPANY       |                   |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
|                          | 30/6/2002         | 31/12/2001        | 30/6/2002         | 31/12/2001        |
|                          | (unaudited)       | (audited)         | (unaudited)       | (audited)         |
|                          | HK\$'000          | HK\$'000          | HK\$'000          | HK\$'000          |
| Guarantees given         |                   |                   |                   |                   |
| to bank, in respect      |                   |                   |                   |                   |
| of banking facilities    |                   |                   |                   |                   |
| utilised by subsidiaries | —                 | —                 | 151,941           | 148,062           |
|                          | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

## 18. Operating lease commitments

At the reporting date, the Group had commitments for the future minimum lease payments under non-cancellable operating lease which fall due as follow:

|                                       | <b>THE GROUP</b>                      |                                     |
|---------------------------------------|---------------------------------------|-------------------------------------|
|                                       | <b>30/6/2002</b>                      | <b>31/12/2001</b>                   |
|                                       | <b>(unaudited)</b><br><b>HK\$'000</b> | <b>(audited)</b><br><b>HK\$'000</b> |
| Within one year                       | <b>3,457</b>                          | 3,299                               |
| In the second to fifth year inclusive | <b>6,193</b>                          | 7,560                               |
| Over five years                       | <u>—</u>                              | <u>—</u>                            |
|                                       | <b><u>9,650</u></b>                   | <b><u>10,859</u></b>                |

Operating lease payments represent rental payables by the Group for its restaurant. Leases are negotiated for an average term of six years.

## 19. Capital commitments

At the reporting date, there were outstanding capital commitments authorised and contracted for, but not provided for in the financial statements in respect of:

|                                    | <b>THE GROUP</b>                      |                                     | <b>THE COMPANY</b>                    |                                     |
|------------------------------------|---------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|
|                                    | <b>30/6/2002</b>                      | <b>31/12/2001</b>                   | <b>30/6/2002</b>                      | <b>31/12/2001</b>                   |
|                                    | <b>(unaudited)</b><br><b>HK\$'000</b> | <b>(audited)</b><br><b>HK\$'000</b> | <b>(unaudited)</b><br><b>HK\$'000</b> | <b>(audited)</b><br><b>HK\$'000</b> |
| Contribution to capital investment | <u>—</u>                              | <u>—</u>                            | <b><u>9,678</u></b>                   | <b><u>9,678</u></b>                 |

At the reporting date, the Group and the Company has no capital expenditure that has been authorised but not contracted for.