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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.

*(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

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>

# 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, 2003 together with comparative figures for the previous period. This unaudited interim financial results has been reviewed by the Company's audit committee.

## CORPORATE RESULTS

Turnover for the six months ended 30th June, 2003 was HK\$43,592,000 as compared to HK\$47,596,000 in the corresponding period of 2002, a decrease of 8.4%. Profit attributable to shareholders was HK\$226,000.

## FINANCIAL RESOURCES AND LIQUIDITY

### *Borrowings and Charge on Group Assets*

The business activities of the Group are funded by bank borrowings, unsecured loans and cash generated from operating activities. The Group's total bank and other borrowings amount to approximately HK\$149 million as at 30th June, 2003 (31st December, 2002: HK\$154 million), in which HK\$144 million (31st December, 2002: HK\$146 million) was payable within one year and HK\$5 million (31st December, 2002: HK\$8 million) was payable after one year. HK\$146 million (31st December, 2002: HK\$151 million) of the borrowings was secured while the remaining HK\$3 million (31st December, 2002: HK\$3 million) was unsecured. The Group's borrowings were primarily denominated in Singapore dollars.

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

### *Gearing Ratio*

The gearing ratio (total bank and other borrowings to shareholders' equity) as at 30th June, 2003 was 95% (31st December, 2002: 99%).

### *Current Ratio*

The current ratio as at 30th June, 2003 was 0.25 (31st December, 2002: 0.25).

# MANAGING DIRECTOR'S STATEMENT

## 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\$228 million (31st December, 2002: HK\$234 million) together with the properties of the Company and its subsidiaries were mortgaged or pledged to the Group's bankers and licensed financial institutions to secure banking facilities, margin trading facilities, overdraft and revolving loan facilities and loan facilities to the Group and its subsidiaries to the extent of approximately HK\$187 million (31st December, 2002: HK\$218 million) and HK\$113 million (31st December, 2002: HK\$ 116 million) respectively.

### *Contingent liabilities and capital commitments*

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

At the reporting date, there was no capital commitment authorised and contracted for the Group in respect of contribution to capital of investment (31st December, 2002: HK\$Nil). The Group has no capital expenditure that has been authorised but not contracted for (31st December, 2002: HK\$Nil).

### *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.

# **MANAGING DIRECTOR'S STATEMENT**

## **INTERIM DIVIDEND**

The Directors have resolved not to declare an interim dividend for the six months ended 30th June, 2003 (Six months ended 30th June, 2002: HK\$Nil).

## **BUSINESS REVIEW AND PROSPECTS**

During the first half of 2003, ChinaSoft International Limited ("CSI") was successfully listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Far East Technology International Limited remains as the single largest shareholder of CSI after its listing. On top of this, business results remain positive for CSI with an increasing demand for its services and products in China, as various government departments and regional governments are looking to enhance their IT compliances to better serve the public and be more efficient. CSI is now one of the leading provider of these services and software products and we foresee there will be strong demand for these services in the upcoming years.

On the industrial side, Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited had similar performance as in last year. Sales orders remain stable for the first half. We estimate the full year performance will be close to last year in the terms of both revenues and profits.

Suzhou Goldtract Commodity Concrete Company Limited had increased its sales over the period with bigger demand for cement products in the Suzhou City. However, with keen competitions, there are still strong pressure on sales price.

For the property division, rental incomes generated from Singapore's Parkway Centre and Hong Kong's commercial properties were about the same as in 2002. With the property market now showing signs of recovery, we remain optimistic about the future of these properties.

As a result of the closure of Rainforest Cafe restaurant in Singapore and the disposal of the Golf Resort in Malaysia, the Group has greatly reduced its operating losses and slightly lowered its gearing ratio. We are still looking forward to reduce the Group's gearing through selling of non-core assets.

## **MANAGING DIRECTOR'S STATEMENT**

### **EMPLOYEE AND REMUNERATION POLICIES**

The number of employees of the Group as at 30th June, 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 and training scheme for the employees during the period.

On behalf of the Board  
**Duncan Chiu**  
*Managing Director*

Hong Kong, 19th September, 2003

# ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING RULES

## DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2003, the interests of the Directors of the Company in shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (including interests which they were taken to have under Section 344 of the SFO) or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Director	Number of ordinary shares held			Total interests
	Personal interests	Family interests	Corporate interests	
Deacon Te Ken Chiu				
The Company	5,048,000	6,110,000 <sup>▲</sup>	99,768,800*	110,926,800
Dennis Chiu				
The Company	16,610,200	—	30,400,000 <sup>#</sup>	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 <sup>#</sup>	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	25,456,211	—	—	25,456,211

\* 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 equally.

▲ The 6,110,000 shares are held by Madam Ching Lan Ju Chiu, wife of Mr. Deacon Te Ken Chiu.

## DIRECTORS' INTERESTS IN SHARES (Continued)

Save as disclosed above, none of the Directors of the Company and their associates had any interests or short positions in the shares or debentures or underlying shares of the Company or of any of its associated corporations as at 30th June, 2003 which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (including interests or short positions which they were taken to have under Section 344 of the SFO) or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2003, the following shareholders, other than the interest disclosed above in respect of certain Directors, were interested directly or indirectly in 5% or more of the total issued share capital of the Company and those interests were required to be recorded in the register kept under Section 336 of the SFO.

Name of Shareholder	Number of ordinary share held	%
Far East Consortium International Limited ("FECIL") ( <i>Note 1</i> )	93,540,200	28.2
Far East Consortium (B.V.I.) Limited ("FECBVIL") ( <i>Note 2</i> )	93,540,200	28.2
Far East Consortium Limited ("FECL") ( <i>Note 3</i> )	65,208,200	19.7
Tricom Cyberworld Holdings Limited	19,282,000	5.81
Max Point Holdings Limited ("MPH") ( <i>Note 4</i> )	17,736,000	5.34
Chan Wai Ki ("CWK") ( <i>Note 4</i> )	17,736,000	5.34

### 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.
4. CWK holds the 17,736,000 shares in the Company through MPH and the shareholding of CWK and MPH are entirely duplicated.



## **SUBSTANTIAL SHAREHOLDERS (Continued)**

Save for the above interests, the Directors of the Company are not aware of any person (other than the Directors of the Company) who was, directly or indirectly, interested in at least 5% of the total issued share capital of the Company or had, directly or indirectly, any notifiable short position in the total issued share capital of the Company and those interests or short positions were required to be recorded in the register kept under Section 336 of the SFO as at 30th June, 2003.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

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, 2003, 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, 2003

		Six months ended	
		30/6/2003	30/6/2002
		(unaudited)	(unaudited and restated)
	Notes	HK\$'000	HK\$'000
Turnover	3	43,592	47,596
Cost of sales		<u>(37,734)</u>	<u>(34,738)</u>
Gross profit		5,858	12,858
Other operating income		2,220	4,144
Distribution costs		(47)	(273)
Administrative expenses	4	(7,026)	(14,936)
Other operating expenses		(79)	(1,464)
Impairment loss on investments in securities		(2,417)	–
Impairment loss on property, plant & equipment	5	<u>–</u>	<u>(17,945)</u>
Loss from operations		(1,491)	(17,616)
Impairment loss on interest in leisure-entertainment complex	6	–	(68,500)
Gain on deemed disposal of partial interest in an associate	7	3,278	–
Finance costs		(3,334)	(6,336)
Share of results of an associate		2,672	–
Share of results of a jointly controlled entity		<u>110</u>	<u>59</u>
Profit (loss) before taxation		1,235	(92,393)
Taxation	8	<u>(651)</u>	<u>(1,235)</u>
Profit (loss) before minority interests		584	(93,628)
Minority interests		<u>(358)</u>	<u>1,032</u>
Net profit (loss) for the period		<u><u>226</u></u>	<u><u>(92,596)</u></u>
Dividends	9	<u>Nil</u>	<u>Nil</u>
Profit (loss) per share			
Basic	10	<u><u>0.07 cents</u></u>	<u><u>(27.9 cents)</u></u>

# CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE, 2003

		30/6/2003 (unaudited)	31/12/2002 (audited and restated)
	Notes	HK\$'000	HK\$'000
<b>Non-current Assets</b>			
Investment properties		208,770	211,101
Property, plant and equipment	12	27,453	28,000
Land held for development		2,734	2,734
Leisure-entertainment complex	11	68,500	68,500
Interest in an associate		27,579	22,124
Interest in a jointly controlled entity		7,172	7,062
Investments in securities		9,605	16,730
Deferred tax assets		2,637	2,548
		<u>354,450</u>	<u>358,799</u>
<b>Current Assets</b>			
Inventories		7,153	7,590
Investments in securities		9,800	8,067
Trade and other receivables	13	27,595	28,267
Amount due from an associate		4	607
Pledged bank deposits		10,466	6,633
Bank balances and cash		4,673	8,549
		<u>59,691</u>	<u>59,713</u>
<b>Current Liabilities</b>			
Trade and other payables	14	59,522	54,480
Amounts due to directors		25,444	28,588
Amounts due to related companies		1,708	1,776
Amount due to a jointly controlled entity		508	298
Tax liabilities		4,729	5,155
Obligations under finance leases		8	8
Bank and other borrowings	15	144,061	146,168
		<u>235,980</u>	<u>236,473</u>
<b>Net Current Liabilities</b>		<u>(176,289)</u>	<u>(176,760)</u>
		<u>178,161</u>	<u>182,039</u>

# CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

AS AT 30TH JUNE, 2003

		30/6/2003 (unaudited)	31/12/2002 (audited and restated)
	Notes	HK\$'000	HK\$'000
<b>Capital and Reserves</b>			
Share capital	16	331,669	331,669
Reserves		(174,727)	(174,639)
		<u>156,942</u>	<u>157,030</u>
<b>Minority Interests</b>		<u>15,457</u>	<u>16,922</u>
<b>Non-current Liabilities</b>			
Obligations under finance leases		15	16
Bank and other borrowings	15	5,075	7,513
Deferred tax liabilities		672	558
		<u>5,762</u>	<u>8,087</u>
		<u>178,161</u>	<u>182,039</u>

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

	Six months ended	
	30/6/2003 (unaudited) <i>HK\$'000</i>	30/6/2002 (unaudited and restated) <i>HK\$'000</i>
Net cash from operating activities	4,099	5,897
Net cash used in investing activities	(3,197)	(6,899)
Net cash (used in) from financing activities	<u>(4,950)</u>	<u>2,024</u>
Net (decrease) increase in cash and cash equivalents	(4,048)	1,022
Cash and cash equivalents at 1st January	8,549	8,767
Effect of foreign exchange rate changes	<u>–</u>	<u>83</u>
Cash and cash equivalents at 30th June	<u><u>4,501</u></u>	<u><u>9,872</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	4,673	11,996
Bank overdrafts	<u>(172)</u>	<u>(2,124)</u>
	<u><u>4,501</u></u>	<u><u>9,872</u></u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated profits (losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2002						
– as originally stated	331,669	282,892	12,159	(27,384)	(288,065)	311,271
– prior year adjustment	–	–	–	–	2,401	2,401
	<u>331,669</u>	<u>282,892</u>	<u>12,159</u>	<u>(27,384)</u>	<u>(285,664)</u>	<u>313,672</u>
– as restated						
Revaluation decrease net of minority interests	–	–	(10,741)	–	–	(10,741)
Exchange differences arising on translation of overseas subsidiaries	–	–	–	8,485	–	8,485
Net losses not recognised in the income statement	–	–	(10,741)	8,485	–	(2,256)
	<u>–</u>	<u>–</u>	<u>(10,741)</u>	<u>8,485</u>	<u>–</u>	<u>(2,256)</u>
Realised on disposal of investment properties	–	–	(927)	–	–	(927)
Realised on disposal of investment in a subsidiary	–	–	–	27,081	–	27,081
Loss for the year						
– as originally stated	–	–	–	–	(179,242)	(179,242)
– current year adjustment	–	–	–	–	(1,298)	(1,298)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(179,242)</u>	<u>(179,242)</u>
At 1st January, 2003						
– as restated	<u>331,669</u>	<u>282,892</u>	<u>491</u>	<u>8,182</u>	<u>(466,204)</u>	<u>157,030</u>
Profit for the period	–	–	–	–	226	226
Exchange differences arising on translation of overseas subsidiaries	–	–	–	(314)	–	(314)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(314)</u>	<u>–</u>	<u>(314)</u>
At 30th June, 2003	<u>331,669</u>	<u>282,892</u>	<u>491</u>	<u>7,868</u>	<u>(465,978)</u>	<u>156,942</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

	Share capital HK\$'000	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated profits (losses) HK\$'000	Total HK\$'000
At 1st January, 2001						
– as originally stated	331,669	282,892	27,059	(22,023)	(231,390)	388,207
– prior year adjustment	–	–	–	–	3,373	3,373
– as restated	<u>331,669</u>	<u>282,892</u>	<u>27,059</u>	<u>(22,023)</u>	<u>(228,017)</u>	<u>391,580</u>
Revaluation decrease net of minority interests	–	–	(14,900)	–	–	(14,900)
Exchange differences arising on translation of overseas subsidiaries	<u>–</u>	<u>–</u>	<u>–</u>	<u>(5,361)</u>	<u>–</u>	<u>(5,361)</u>
Net losses not recognised in the income statement	<u>–</u>	<u>–</u>	<u>(14,900)</u>	<u>(5,361)</u>	<u>–</u>	<u>(20,261)</u>
Loss for the year						
– as originally stated	–	–	–	–	(56,675)	(56,675)
– current year adjustment	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(972)</u>	<u>(972)</u>
At 1st January, 2002						
– as restated	<u>331,669</u>	<u>282,892</u>	<u>12,159</u>	<u>(27,384)</u>	<u>(285,664)</u>	<u>313,672</u>
Loss for the period						
– as originally stated	–	–	–	–	(91,947)	(91,947)
– current period adjustment	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(649)</u>	<u>(649)</u>
Exchange differences arising on translation of overseas subsidiaries	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,381</u>	<u>–</u>	<u>7,381</u>
At 30th June, 2002						
– as restated	<u>331,669</u>	<u>282,892</u>	<u>12,159</u>	<u>(20,003)</u>	<u>(378,260)</u>	<u>228,457</u>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## 1. Basis of preparation

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong 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 2002 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, 2002, except that the Group has adopted the revised Statement of Standard Accounting Practice (“SSAP”) 12 “Income Taxes” issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2003.

The changes to the Group’s accounting policies and the effect of adopting this revised standard is set out below:

During the period, the Group has adopted SSAP 12 (Revised) “Income Taxes”. The principal effect of the implementation of the revised standard is in relation to deferred tax. It 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 condensed financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. This change in accounting policy has resulted in a decrease in accumulated losses of HK\$2,401,000 as at 1st January, 2002. (A decrease in accumulated losses of HK\$3,373,000 as at 1st January, 2001). Certain comparative figures for the prior period have been restated to conform with the current period’s presentation.



### 3. Business and geographical segments

#### Business segments

	Securities investment		Property development and investment		Entertainment and leisure		Industrial		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Six months ended 30th June (unaudited and restated)											
TURNOVER												
External sales	3,158	2,894	5,012	7,028	207	7,192	35,215	30,482	-	-	43,592	47,596
Inter-segment sales	-	-	-	-	-	823	-	-	-	(823)	-	-
Total turnover	3,158	2,894	5,012	7,028	207	8,015	35,215	30,482	-	(823)	43,592	47,596

Inter-segment sales are charged at prevailing market rates.

#### RESULT

Segment results	<u>(6,239)</u>	<u>(2,039)</u>	<u>2,549</u>	<u>5,691</u>	<u>(965)</u>	<u>(95,145)</u>	<u>944</u>	<u>1,233</u>	<u>-</u>	<u>-</u>	<u>(3,711)</u>	<u>(90,260)</u>
Other operating income	2,078	1,540	15	41	14	2,538	113	25			2,220	4,144
Loss from operations after impairment loss on the interest in leisure - entertainment complex											(1,491)	(86,116)
Gain on deemed disposal of partial interest in an associate	-	-	-	-	-	-	3,278	-			3,278	-
Finance costs											(3,334)	(6,336)
Share of results of an associate	-	-	-	-	-	-	2,672	-			2,672	-
Share of results of a jointly controlled entity	-	-	-	-	110	59	-	-			110	59
Profit (loss) before taxation											1,235	(92,393)
Taxation											(651)	(1,235)
Profit (loss) after taxation											<u>584</u>	<u>(93,628)</u>

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

#### *Geographical segments*

	Sales revenue by geographical market	
	Six months ended	
	30/6/2003 (unaudited) HK\$'000	30/6/2002 (unaudited) HK\$'000
Hong Kong	4,134	13,547
Malaysia	—	4,798
Singapore	4,042	8,016
PRC	12,186	10,317
Japan	23,230	10,918
	<u>43,592</u>	<u>47,596</u>

### 4. Staff expenses & depreciation

During the period, the Group's staff expenses of approximately HK\$5.8 million (six months ended 30th June, 2002: HK\$6.6 million) was charged.

During the period, depreciation of approximately HK\$2.5 million (six months ended 30th June, 2002: HK\$6.2 million) was charged in respect of the Group's property, plant and equipment.

### 5. Impairment loss on property, plant and equipment

During the period, there was no impairment loss on property, plant and equipment recognised. (For the six months ended 30th June, 2002, the directors had 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 on property, plant & equipment of HK\$17,945,000 was recognised during the period in respect of leasehold improvement of HK\$17,324,000 & electrical and other equipment of HK\$621,000 which were used in Rainforest Cafe. Rainforest Cafe operation ceased in Singapore in August, 2002.)

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

During the period, there was no impairment loss on interest in leisure-entertainment complex recognised. (For the six months ended 30th June, 2002, the directors had assessed the net realisable value and recoverable amount on the Group's interest in leisure-entertainment complex the continuing operation of which was not able to generate positive cash flows to the Group in future. As it is unlikely that the Group's interest in leisure-entertainment complex was expected to be recoverable, an impairment loss of HK\$68,500,000 was recognised on interest in leisure-entertainment complex.)

## 7. Gain on deemed disposal of partial interest in an associate

After the listing of Chinasoft International Limited (8216) on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 20th June, 2003, Chinasoft International Limited allotted 160,000,000 new shares at placing price of HK\$0.32 to the public, resulting in the dilution of the Company's shareholding in Chinasoft International Limited from 36.85% to 27.64%. Accordingly, the Company shares a gain on deemed disposal of partial interest in an associate of HK\$3,278,000 for the period ended 30th June, 2003 (six months ended 30th June, 2002: HK\$Nil).

## 8. Taxation

	Six months ended	
	30/6/2003 (unaudited) HK\$'000	30/6/2002 (unaudited and restated) HK\$'000
The charge comprises:		
Deferred tax	(292)	(649)
Current tax		
The Company and subsidiaries		
Profit Tax for the period		
Overseas	(131)	(586)
Share of taxation attributable to associates	(228)	—
	<u>(651)</u>	<u>(1,235)</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit during the period (six months ended 30th June, 2002: 16%). Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

Deferred tax has been provided for at the rate that is expected to apply in the period when the liability is settled or the asset is realised.

## 9. Dividends

The Directors have resolved not to declare an interim dividend for the six months ended 30th June, 2003 (six months ended 30th June, 2002: HK\$Nil).

## 10. Profit (loss) per share

The calculation of basic profit (loss) per share is based on the profit for the period of HK\$226,000 (six months ended 30th June, 2002: (restated) loss of HK\$92,596,000) and on 331,668,905 (six months ended 30th June, 2002: 331,668,905) ordinary shares in issue during the period. As there was no dilutive potential ordinary share for the period ended 30th June, 2003, no diluted profit per share was presented.

## 11. Leisure-entertainment complex

	<b>THE GROUP</b>	
	<b>30/6/2003</b>	<b>31/12/2002</b>
	<b>(unaudited)</b>	<b>(audited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1st January	<b>68,500</b>	137,000
Less: Impairment loss recognised ( <i>note 6</i> )	<b>–</b>	(68,500)
	<hr/>	<hr/>
At 30th June, 31st December	<b>68,500</b>	68,500
	<hr/>	<hr/>

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 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.

In 2002, the directors had assessed the net realisable value and recoverable amount on the Group’s interest in leisure-entertainment complex. As at 31st December, 2002, the directors were of the opinion that the Group’s interest in leisure-entertainment complex was worth at least its remaining carrying amount of HK\$68,500,000. Accordingly, an impairment loss of HK\$68,500,000 had been charged to the income statement.

## 12. Additions to property, plant and equipment

The Group spends approximately HK\$2,103,000 during the period (for the year ended 31st December 2002: HK\$1,791,000) of which HK\$Nil (for the year ended 31st December, 2002: HK\$172,000) on additions to land and building in the PRC held under medium term lease; HK\$2,048,000 (for the year ended 31st December, 2002: HK\$Nil) on construction in progress; HK\$Nil (for the year ended 31st December, 2002: HK\$41,000) on golf resort complex in overseas held under freehold land; HK\$55,000 (for the year ended 31st December, 2002: HK\$973,000) on lifts electrical and other equipment; HK\$Nil (for the year ended 31st December, 2002: HK\$150,000) on exhibits display items, furniture, fittings and costumes; HK\$Nil (for the year ended 31st December, 2002: HK\$452,000) on trams, coaches and motor vehicles.

## 13. 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 aged analysis of the trade receivables at the reporting date is as follows:

	THE GROUP	
	30/6/2003	31/12/2002
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 – 30 days	7,170	8,135
31 – 60 days	516	1,135
61 – 90 days	2,080	432
Over 90 days	4,600	4,962
	<hr/>	<hr/>
Total trade receivables	14,366	14,664
Other receivables	13,229	13,603
	<hr/>	<hr/>
	27,595	28,267
	<hr/>	<hr/>

## 14. Trade and other payables

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

	THE GROUP	
	30/6/2003	31/12/2002
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 – 30 days	705	1,902
31 – 60 days	705	1,245
61 – 90 days	854	661
Over 90 days	16,393	14,126
	<hr/>	<hr/>
Total trade payables	18,657	17,934
Other payables	40,865	36,546
	<hr/>	<hr/>
	59,522	54,480
	<hr/>	<hr/>

## 15. Bank and other borrowings

	THE GROUP	
	30/6/2003 (unaudited) HK\$'000	31/12/2002 (audited) HK\$'000
Bank overdrafts	172	—
Bank loans	147,164	149,127
Other loans	1,800	4,554
	<u>149,136</u>	<u>153,681</u>
Secured	146,102	150,567
Unsecured	3,034	3,114
	<u>149,136</u>	<u>153,681</u>
The maturity of the bank loans and overdrafts is as below:		
Within one year	144,061	146,168
More than one year, but not exceeding two years	2,400	4,800
More than two years, but not exceeding five years	2,675	2,713
	<u>149,136</u>	<u>153,681</u>
Amounts due within one year shown under current liabilities	(144,061)	(146,168)
Amounts due after one year	<u>5,075</u>	<u>7,513</u>

## 16. Share capital

	Number of ordinary shares of HK\$1 each (in thousand)	Nominal value HK\$'000
<b>Authorised:</b>		
At 1st January, 2002,		
31st December, 2002,		
1st January, 2003		
and 30th June 2003	<b>700,000</b>	700,000
	<hr/> <hr/>	<hr/> <hr/>
<b>Issued and fully paid:</b>		
At 1st January, 2002,		
31st December, 2002,		
1st January, 2003		
and 30th June, 2003	<b>331,669</b>	331,669
	<hr/> <hr/>	<hr/> <hr/>

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

## 17. Pledge of assets

At the reporting date:

- (a) banking facilities to the extent of approximately HK\$50 million (31st December, 2002: HK\$50 million) of which HK\$18.6 million (31st December, 2002: HK\$22 million) were utilised, are secured by the legal mortgage of certain of the Group's investment properties in Hong Kong with an aggregate net book value of approximately HK\$45.6 million (31st December, 2002: HK\$45.6 million);
- (b) margin trading facilities in respect of securities transactions to the extent of approximately HK\$3.5 million (31st December, 2002: HK\$5.9 million) of which HK\$1.8 million (31st December, 2002: HK\$4.6 million) were utilised, are secured by the Group's listed investments of approximately HK\$9 million (31st December, 2002: HK\$17 million);
- (c) overdraft and revolving loan facilities to the extent of approximately HK\$9.9 million (31st December, 2002: HK\$6.2 million) of which was all unutilised, (31st December, 2002: all unutilised), are secured by time deposits held by the Group of approximately HK\$10.5 million (31st December, 2002: HK\$6.6 million);
- (d) overdraft and revolving loan facilities to the extent of approximately HK\$9.9 million (31st December, 2002: HK\$40 million) of HK\$8.9 million which was utilised, (31st December, 2002: 5 million), are secured by a floating charge over all the asset of the Company.

## 17. Pledge of assets (Continued)

- (e) banking facilities to the extent of approximately HK\$113.2 million (31st December, 2002: HK\$115.5 million) of which HK\$113 million (31st December, 2002: HK\$115.4 million) were utilised, are secured by:
- (i) Group's investment properties in Singapore with an aggregate net book value of approximately HK\$163.2 million (31st December, 2002: HK\$164.5 million); and
- (ii) severally guaranteed by the Company and a director of the Company.

## 18. 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	
	30/6/2003	31/12/2002	30/6/2003	31/12/2002
	(unaudited)	(audited)	(unaudited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to bank, in respect of banking facilities utilised by subsidiaries	<u>          —          </u>	<u>          —          </u>	<u>      130,944      </u>	<u>      130,944      </u>

## 19. Operating lease commitments

At the reporting date, the Group and the Company had no commitments under operating leases (31/12/2002: HK\$ Nil).

## 20. 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:

	THE GROUP		THE COMPANY	
	30/6/2003	31/12/2002	30/6/2003	31/12/2002
	(unaudited)	(audited)	(unaudited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contribution to capital investment	<u>          —          </u>	<u>          —          </u>	<u>      9,678      </u>	<u>      9,678      </u>

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