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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*)

Duncan CHIU, B.Sc.

(*Managing Director and Chief
Executive Officer*)

Dennis CHIU, B.A.

Non-executive Directors:

Dato' David CHIU, B.Sc.

Daniel Tat Jung CHIU

Derek CHIU, B.A.

Desmond CHIU, B.A.

Margaret CHIU, LL. B.

Independent Non-executive Directors:

Chi Man MA

Siu Hong CHOW

COMPANY SECRETARY

Kwok Wor CHOW

QUALIFIED ACCOUNTANT

James Cheerie YU, B.S., AICPA

SOLICITORS

Woo, Kwan, Lee & Lo

Balkenende Chew & Siaw

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai Banking
Corporation Limited

The Development Bank of
Singapore Limited

The Bank of East Asia Limited

Hang Seng Bank Limited

REGISTERED OFFICE

16th Floor,

Far East Consortium Building

121 Des Voeux Road Central

Hong Kong

SHARE REGISTRARS

Computershare Hong Kong Investor

Services Limited

Shops 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

STOCK EXCHANGE

The Shares of the Company are listed
on The Stock Exchange of Hong Kong
Limited

STOCK CODE

36

WEBSITE

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

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT

REVIEW OF OPERATIONS, OUTLOOK AND STRATEGY

CORPORATE RESULTS

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

DIVIDEND

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

FINANCIAL REVIEW

Borrowing and Charge on Group Assets

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

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

Gearing Ratio

The Group's gearing ratio (total bank and other loans to shareholders' equity) as at 30th June, 2004 was 9% (31st December, 2003: 205%).

Current Ratio

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

Exchange Rate

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

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT (Continued)

FINANCIAL REVIEW (Continued)

Pledge of Assets

At the reporting date, the Group's investment properties, listed investments, bank deposits and machinery with an aggregate net book value of approximately HK\$57.8 million (31st December, 2003: HK\$199.7 million) together with the properties of the Company and its subsidiaries were mortgaged or pledged to the Group's bankers and licensed financial institutions to secure banking facilities, margin trading facilities, overdraft and revolving loan facilities and bank loan facilities to the Group and its subsidiaries to the extent of approximately HK\$51.7 million (31st December, 2003: HK\$182.3 million) and HK\$0.8 million (31st December, 2003: HK\$ 118.8 million) respectively.

Contingent Liabilities

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

Capital Commitments

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

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 22nd December, 2003, a conditional sale and purchase agreement was entered into whereby, inter alia, the Company and Mr. Dennis Chiu, a director of the Company agreed to dispose of their entire interests in Tang City Properties Pte Ltd. to a wholly-owned subsidiary of Far East Consortium International Limited. The disposal was completed on 16th February, 2004.

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

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

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT (Continued)

BUSINESS OVERVIEW AND OUTLOOK

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

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

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

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

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

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT (Continued)

BUSINESS OVERVIEW AND OUTLOOK (Continued)

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

EMPLOYEE AND REMUNERATION POLICIES

The number of employees of the Group as at 30th June, 2004 was approximately 600. Employees are remunerated according to nature of the job and market conditions. The Group has not adopted any share option scheme and training scheme for the employees during the period.

On behalf of the Board

Duncan Chiu

*Managing Director and
Chief Executive Officer*

Hong Kong, 17th September, 2004

ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING RULES

DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2004, the Directors and the chief executives of the Company and their respective associates had the following interests and short positions in the equity and debt securities of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (“SFO”)) which require notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors and chief executives of the Company has taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

Name of Director	Name of interested companies	Personal interest	Family interest	Interest through controlled companies	Total interest
Deacon Te Ken Chiu	the Company	12,548,000	6,110,000 ⁽¹⁾	6,228,600	24,886,600
David Chiu	the Company	–	–	28,040,000	28,040,000
Dennis Chiu	the Company	25,110,200	–	30,400,000 ⁽²⁾	55,510,200
	Tang Dynasty City Pte. Ltd.	1,250,000	–	–	1,250,000
Daniel Tat Jung Chiu	the Company	11,000,000	–	72,400,200 ⁽³⁾	83,400,200
Duncan Chiu	the Company	32,956,211	–	–	32,956,211
Margaret Chiu	the Company	5,000,000	–	–	5,000,000
Derek Chiu	the Company	201,000	–	–	201,000

Notes:

1. The 6,110,000 shares are held by Madam Ching Lan Ju Chiu, wife of Mr. Deacon Te Ken Chiu.
2. 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.
3. Of the 72,400,200 shares, 30,400,000 shares are held by Cape York Investments Limited, a company equally owned by Mr. Daniel Tat Jung Chiu and Mr. Dennis Chiu and the remaining 42,000,200 shares are held by Gorich Holdings Limited, a company wholly-owned by Mr. Daniel Tat Jung Chiu.

ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING RULES (Continued)

DIRECTORS' INTERESTS IN SHARES (Continued)

Save as disclosed above, none of the Directors or chief executives of the Company was interested, or was deemed to be interested in the long and short positions in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2004, according to the register of interests in long positions and short positions kept by the Company pursuant to Divisions 2 and 3 of Part XV and section 336 of the SFO and so far as the Directors were aware, the following persons (other than the Directors or the chief executives of the Company) had a long position or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were interested, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long Positions in the Shares

Name of Shareholder	Number of Shares held	%
Gorich Holdings Limited ("Gorich") (Note 1)	42,000,200	12.66%
Cape York Investments Limited ("Cape York") (Note 2)	30,400,000	9.17%
Rocket High Investments Limited ("Rocket") (Note 3)	28,040,000	8.45%
Tricom Cyberworld Holdings Limited	19,282,000	5.81%

Notes:

1. Gorich is wholly-owned by Mr. Daniel Tat Jung Chiu. The interest of Mr. Daniel Tat Jung Chiu in the Company is stated under the section headed "Directors' interests in shares" above.
2. The interests of Mr. Daniel Tat Jung Chiu and Mr. Dennis Chiu in the Company are stated under the section headed "Directors' interests in shares" above.
3. Rocket is wholly-owned by Mr. David Chiu. The interest of Mr. David Chiu in the Company is stated in the section headed "Directors' interests in shares" above.

ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING RULES (Continued)

SUBSTANTIAL SHAREHOLDERS (Continued)

Save as disclosed above, the Directors were not aware of any person as at the 30th June, 2004 who had a long position or short position in the Shares, underlying shares or debentures which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited condensed accounts for the six months ended 30th June, 2004.

CORPORATE GOVERNANCE

Compliance with the Code of Best Practice

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June, 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except that the independent non-executive directors of the Company were not appointed for specific terms as they are subject to retirement and re-election in accordance with the provision of the articles of associates of the Company.

Securities transactions by directors

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

INTERIM RESULTS

The Board of Directors (the “Board”) of Far East Technology International Limited (the “Company”) herein present their unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2004 together with comparative amounts. The interim financial report has not been audited, but has been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

		Unaudited six months ended 30th June,	
		2004	2003
	Notes	HK\$'000	HK\$'000
Turnover	3	35,837	43,592
Cost of sales		(32,349)	(37,734)
Gross profit		3,488	5,858
Other operating income		199	236
Distribution costs		(173)	(47)
Administrative expenses		(4,804)	(7,026)
Other operating expenses		(133)	(79)
Unrealized holding gain on listed other investments		3,557	1,984
Profit on disposal of listed investment securities		1,118	–
Impairment loss on investment securities recognised		(241)	(2,417)
Profit/(loss) from operations	4	3,011	(1,491)
Finance costs		(1,295)	(3,334)
Gain on disposal of discontinued businesses	5	301	–
Gain on disposal of an investment property	6	1,032	–
Profit on deemed disposal of an associate	7	–	3,278
Share of results of an associate	10	3,690	2,672
Share of results of a jointly-controlled entity		(17)	110
Profit before tax		6,722	1,235
Tax	8	(792)	(651)
Profit before minority interests		5,930	584
Minority interests		(390)	(358)
Net profit for the period		5,540	226
Earnings per share			
Basic	9	1.7 cents	0.07 cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE, 2004

		30/6/2004 (unaudited) HK\$'000	31/12/2003 (audited) HK\$'000
	Notes		
Non-current Assets			
Property, plant and equipment		22,257	27,709
Investment properties		34,000	168,812
Land held for development		2,734	2,734
Leisure-entertainment complex		–	–
Interest in an associate	10	34,367	32,661
Interest in a jointly-controlled entity		7,052	7,069
Investments in securities		8,889	12,437
		<u>109,299</u>	<u>251,422</u>
Current Assets			
Investments in securities		16,718	14,358
Inventories		7,733	6,540
Trade and other receivables	11	22,671	25,611
Amount due from an associate		5	5
Pledged bank deposits		4,716	14,335
Bank balances and cash		15,500	7,083
		<u>67,343</u>	<u>67,932</u>
Current Liabilities			
Trade and other payables	12	53,502	56,276
Amounts due to directors		5,611	15,904
Amounts due to related companies		6,722	6,721
Amount due to a jointly-controlled entity		508	508
Tax payable		479	403
Bank and other loans – due within one year	13	7,963	141,372
		<u>74,785</u>	<u>221,184</u>
Net Current Liabilities		<u>(7,442)</u>	<u>(153,252)</u>
		<u>101,857</u>	<u>98,170</u>

CONDENSED CONSOLIDATED BALANCE SHEET

(Continued)

AS AT 30TH JUNE, 2004

		30/6/2004 (unaudited) HK\$'000	31/12/2003 (audited) HK\$'000
	Notes		
Capital and Reserves			
Share capital	14	331,669	331,669
Reserves		(246,703)	(258,492)
		<u>84,966</u>	<u>73,177</u>
Minority Interests		<u>16,891</u>	<u>16,411</u>
Non-current Liabilities			
Bank and other loans – due after one year	13	–	8,582
		<u>101,857</u>	<u>98,170</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2004 (UNAUDITED)

	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, 2004	<u>331,669</u>	<u>282,892</u>	<u>-</u>	<u>10,683</u>	<u>(552,067)</u>	<u>73,177</u>
Realised on disposal of subsidiaries during the period	-	-	-	5,695	-	5,695
Profit for the period	-	-	-	-	5,540	5,540
Exchange differences arising on translation of overseas subsidiaries	-	-	-	370	-	370
Share of post-acquisition reserve movement of an associate during the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>184</u>	<u>-</u>	<u>184</u>
At 30th June, 2004	<u><u>331,669</u></u>	<u><u>282,892</u></u>	<u><u>-</u></u>	<u><u>16,932</u></u>	<u><u>(546,527)</u></u>	<u><u>84,966</u></u>

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003 (UNAUDITED)

	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, 2003	<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	<u>-</u>	<u>-</u>	<u>-</u>	<u>(314)</u>	<u>-</u>	<u>(314)</u>
At 30th June, 2003	<u><u>331,669</u></u>	<u><u>282,892</u></u>	<u><u>491</u></u>	<u><u>7,868</u></u>	<u><u>(465,978)</u></u>	<u><u>156,942</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

	Unaudited six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Net cash from operating activities	5,220	4,099
Net cash from/(used in) investing activities	29,875	(3,197)
Net cash used in financing activities	<u>(26,711)</u>	<u>(4,950)</u>
Net increase/(decrease) in cash and cash equivalents	8,384	(4,048)
Cash and cash equivalents at beginning of period	7,083	8,549
Effect of foreign exchange rate changes	<u>33</u>	<u>—</u>
Cash and cash equivalents at end of period	<u><u>15,500</u></u>	<u><u>4,501</u></u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	15,500	4,673
Bank overdrafts	<u>—</u>	<u>(172)</u>
	<u><u>15,500</u></u>	<u><u>4,501</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosures requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and should be read in conjunction with the 2003 annual financial statements.

2. Accounting policy and comparative figures

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

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31st December, 2003. Certain comparative figures for the prior period have been restated to conform with the current period’s presentation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Business and geographical segments

Business segments

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Business and geographical segments (Continued)

Geographical segments

	Sales revenue by geographical market Unaudited six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong	8,107	4,134
Singapore	828	4,042
PRC, excluding Hong Kong	15,046	12,186
Japan	11,856	23,230
	<u>35,837</u>	<u>43,592</u>

4. Profit/(loss) from operations

	Unaudited six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Profit/(loss) from operations has been arrived at after charging:		
Depreciation		
Owned assets	2,159	2,482
Auditors' remuneration	405	393
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of HK\$623,680 (2003: HK\$682,579)	5,615	5,770
and after crediting:		
Profit on disposal of listed other investments	217	10
Rental income from investment properties, less outgoings of HK\$734,074 (2003: HK\$1,676,854)	<u>717</u>	<u>2,786</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Gain on disposal of discontinued businesses

- a) On 22nd December, 2003, the Group entered into a sale agreement to dispose of the subsidiaries, Tang City Properties Pte. Ltd. ("TCPL") and its subsidiaries, which carried out of the Group's investment properties in Singapore. The disposal was effected in order to generate the working capital for the Group. The disposal was completed on 16th February, 2004, on which date control of TCPL passed to the acquirer.

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

	16/2/2004 (Unaudited) HK\$'000	30/6/2003 (Unaudited) HK\$'000
Turnover	828	4,036
Cost of sales	(432)	(1,545)
Gross profit	396	2,491
Other operating income	7	—
Administrative expenses	(251)	(1,143)
Finance costs	(815)	(2,297)
Loss for the period	(663)	(949)

During the period, TCPL contributed an inflow of approximately HK\$439,000 (30/6/2003: HK\$2,521,000) to the Group's net operating cash flows, paid approximately HK\$519,000 (30/6/2003: HK\$2,956,000) in respect of financing activities.

The carrying amounts of the consolidated assets and liabilities of TCPL at the date of disposal, were approximately HK\$124 million (31/12/2003: HK\$122 million) and HK\$126 million (31/12/2003: HK\$123 million), respectively.

A loss of approximately HK\$3,212,000 arose on the disposal of TCPL, being the proceeds of disposal less the carrying amount of the subsidiary's net assets and the realisation of the exchange reserve. No tax charge or credit arose from the transaction.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Gain on disposal of discontinued businesses (Continued)

- b) On 21st April, 2004, the Group entered into a sale agreement to dispose of a subsidiary, Laichi Kok Amusement (Haimen) Co. Ltd. ("LKA"), which carried out of the Group's amusement park operation in the People's Republic of China. The disposal was effected in order to generate the working capital for the Group. The disposal was completed on 21st June, 2004, on which date control of LKA passed to the acquirer.

The results of the operation of amusement park up to the date of disposal, which have been included in the consolidated financial statements, were as follows:

	21/6/2004 (Unaudited) HK\$'000	30/6/2003 (Unaudited) HK\$'000
Turnover	80	202
Cost of sales	(203)	(539)
Gross loss	(123)	(337)
Other operating income	–	14
Administrative expenses	(48)	(194)
Loss for the period	(171)	(517)

During the period, LKA contributed an outflow of approximately HK\$54,000 (30/6/2003: an inflow of HK\$82,000) to the Group's net operating cash flows, paid HK\$56 (30/6/2003: HK\$20) in respect of financing activities.

The carrying amounts of the assets and liabilities of LKA at the date of disposal, were approximately HK\$5,819,000 (31/12/2003: HK\$5,923,000) and HK\$521,000 (31/12/2003: HK\$533,000), respectively.

A gain of approximately HK\$3,513,000 arose on the disposal of LKA, being the proceeds of disposal less the carrying amount of the subsidiary's net assets and the realisation of the exchange reserve. No tax charge or credit arose from the transaction.

6. Gain on disposal of an investment property

On 6th May, 2004, the Group entered into a sale agreement to dispose of an investment property at an aggregate consideration of HK\$15,000,000 and the gain recognised on the disposal of an investment property was HK\$1,032,000 (six months ended 30th June, 2003: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Profit on deemed disposal of an associate

During the period, there was no profit on deemed disposal of an associate recognised (six months ended 30th June, 2003: HK\$3,278,000).

8. Tax

	Unaudited six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
The charge comprises:		
Deferred tax	–	(292)
Current tax		
The Company and subsidiaries		
Profits Tax for the period		
Overseas	(393)	(131)
Share of tax attributable to an associate	(399)	(228)
	<u>(792)</u>	<u>(651)</u>

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

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

9. Earnings per share

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Interest in an associate

	THE GROUP		THE COMPANY	
	30/6/2004 (unaudited) HK\$'000	31/12/2003 (audited) HK\$'000	30/6/2004 (unaudited) HK\$'000	31/12/2003 (audited) HK\$'000
Listed share, at cost	–	–	16,020	16,020
Share of net assets	<u>34,367</u>	<u>32,661</u>	<u>–</u>	<u>–</u>
	<u>34,367</u>	<u>32,661</u>	<u>16,020</u>	<u>16,020</u>
Market value	<u>143,281</u>	<u>171,598</u>	<u>143,281</u>	<u>171,589</u>

Particulars of the associate of the Company at 30th June, 2004 are as follow:

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

The shares of Chinasoft were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited with effect from 20th June, 2003. Pursuant to the capitalisation issue and share placing by Chinasoft on 20th June, 2003, the Company's shareholding in Chinasoft had decrease from 36.85% to 27.64%, resulting in a gain on deemed disposal of HK\$3,278,000 for the period ended 30th June, 2003.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Interest in an associate (Continued)

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

	Unaudited six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Results for the period		
Turnover	109,490	55,730
Profit before tax	13,351	7,466
	<u>13,351</u>	<u>7,466</u>
Profit before tax attributable to the Group	3,690	2,672
	<u>3,690</u>	<u>2,672</u>
	30/6/2004	31/12/2003
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Financial position		
Non-current assets	17,906	12,155
Current assets	199,508	159,426
Current liabilities	(77,324)	(39,742)
Non - current liabilities	(15,752)	(13,673)
	<u>(15,752)</u>	<u>(13,673)</u>
Net assets	124,338	118,166
	<u>124,338</u>	<u>118,166</u>
Net assets attributable to the Group	34,367	32,661
	<u>34,367</u>	<u>32,661</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Trade and other receivables

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

	THE GROUP	
	30/6/2004	31/12/2003
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 – 30 days	2,883	5,138
31 – 60 days	3,334	1,650
61 – 90 days	11,002	7,164
Over 90 days	3,538	3,766
	<hr/>	<hr/>
Total trade receivables	20,757	17,718
Other receivables	1,914	7,893
	<hr/>	<hr/>
	22,671	25,611
	<hr/>	<hr/>

12. Trade and other payables

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

	THE GROUP	
	30/6/2004	31/12/2003
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 – 30 days	2,331	4,197
31 – 60 days	2,512	1,801
61 – 90 days	2,725	688
Over 90 days	9,385	7,537
	<hr/>	<hr/>
Total trade payables	16,953	14,223
Other payables	36,549	42,053
	<hr/>	<hr/>
	53,502	56,276
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Bank and other loans

	THE GROUP	
	30/6/2004	31/12/2003
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Bank and other loans comprise:		
Bank loans	6,874	147,365
Other loans	1,089	2,589
	<u>7,963</u>	<u>149,954</u>
Analysed as:		
Secured	7,963	149,954
Unsecured	—	—
	<u>7,963</u>	<u>149,954</u>
The above loans are repayable as follows:		
Within one year	7,963	141,372
More than one year, but not exceeding two years	—	2,411
More than two years, but not exceeding five years	—	4,198
More than five years	—	1,973
	<u>7,963</u>	<u>149,954</u>
Less: Amounts due within one year shown under current liabilities	(7,963)	(141,372)
Amounts due after one year	<u>—</u>	<u>8,582</u>

14. Share capital

	Number of ordinary shares of HK\$1 each (in thousand)	Nominal value HK\$'000
Authorised:		
At 1st January, 2003, 31st December, 2003, 1st January, 2004 and 30th June, 2004	<u>700,000</u>	<u>700,000</u>
Issued and fully paid:		
At 1st January, 2003, 31st December, 2003, 1st January, 2004 and 30th June, 2004	<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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Pledge of assets

At the reporting date:

- (a) banking facilities to the extent of approximately HK\$2.4 million (31st December, 2003: HK\$16.2 million) of which HK\$2.4 million (31st December, 2003: HK\$16.2 million) were utilised, are secured by the Group's investment properties in Hong Kong with an aggregate net book value of approximately HK\$34 million (31st December, 2003: HK\$47.8 million);
- (b) margin trading facilities in respect of securities transactions to the extent of approximately HK\$8.1 million (31st December, 2003: HK\$7.0 million) of which HK\$1 million (31st December, 2003: HK\$2.6 million) were utilised, are secured by the listed investments of the Group and the Company of approximately HK\$16.6 million (31st December, 2003: HK\$14 million) and HK\$16.2 million (31st December, 2003: HK\$13.7million), respectively;
- (c) overdraft and revolving loan facilities to the extent of approximately HK\$40.4 million (31st December, 2003: HK\$40.3 million), of which HK\$3.7 million(31st December, 2003: HK\$13.3 million) was utilised, are secured by time deposits held by the Company of approximately HK\$4.7 million (31st December, 2003: HK\$14.3 million);
- (d) bank loan facilities borrowings of approximately HK\$0.8 million (31st December, 2003: HK\$0.9 million) are secured by a blending machine held by a subsidiary with net book value of approximately HK\$2.5 million (31st December, 2003: HK\$2.5 million).

16. Contingent liabilities

	THE GROUP		THE COMPANY	
	30/6/2004 (unaudited) HK\$'000	31/12/2003 (audited) HK\$'000	30/6/2004 (unaudited) HK\$'000	31/12/2003 (audited) HK\$'000
Guarantees given to bank, in respect of banking facilities utilised by subsidiaries	—	—	—	122,990

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Capital commitments

	THE GROUP		THE COMPANY	
	30/6/2004 (unaudited) HK\$'000	31/12/2003 (audited) HK\$'000	30/6/2004 (unaudited) HK\$'000	31/12/2003 (audited) HK\$'000
Commitments contracted but not provided for in the financial statements in respect of capital contribution to a subsidiary	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,678</u>

18. Operating lease arrangements

Property rental income earned during the period was HK\$765,000 (six months ended 30th June, 2003: HK\$4,970,000).

The properties held have committed tenants for the next three years.

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

	30/6/2004 (unaudited) HK\$'000	31/12/2003 (audited) HK\$'000
Within one year	660	1,755
In the second to fifth year inclusive	<u>1,210</u>	<u>1,512</u>
	<u>1,870</u>	<u>3,267</u>

19. Post balance sheet event

As announced on 6th May, 2004, Kwong Ming Amusement Company Limited, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party to dispose of its investments property situated in Hong Kong for a cash consideration of HK\$15,500,000.

On 8th June, 2004, the formal sale and purchase agreement was entered between the parties. This transaction was completed on 1st September, 2004 and the gain on disposal is approximately HK\$1,329,000.