

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).

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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.

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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.

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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