

DEPUTY CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S STATEMENT

INTERIM RESULTS

The Board of Directors of Far East Consortium International Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2002. The unaudited interim financial results has been reviewed by the Company's audit committee.

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend in respect of the six months ended 30th September, 2002 (six months ended 30th September, 2001: Nil).

REVIEW OF OPERATIONS, OUTLOOK AND STRATEGY

Turnover for the six months ended 30th September, 2002 was HK\$385 million matching the result of HK\$386 million for the corresponding period of the year 2001. Profit attributable to shareholders was HK\$7.6 million as compared to HK\$14.4 million for the corresponding period of the year 2001, representing a decrease of HK\$6.8 million or 47.22%.

Business Review

Property Division

Hong Kong

Baker Street, Hung Hom – a 32-storey commercial-residential development with a total gross floor area of approximately 55,000 sq.ft. comprises of 104 residential units, 26 car-parks and 2 floors of shopping units was completed with the occupancy permit obtained in late November 2002.

Pak Shek Wo, Sai Kung – a 15 detached house development with a total gross floor area of approximately 18,000 sq.ft. built on a 30,000 sq.ft. site. Construction has commenced and the pre-sale launch is scheduled for first quarter of 2003.

Chuk Kok, Sai Kung – a 10 detached house development with a total gross floor area of approximately 12,000 sq.ft. built on a 30,000 sq.ft. site. Site formation is currently in progress while the pre-sale launch is expected in the second quarter of 2003.

Tan Kwai Tsuen, Yuen Long – this project is a 4-storey apartment development with 62 units with a total gross floor area of approximately 52,000 sq.ft. The company is in the process of applying land exchange and access road formation.

Sheung Yeung, Sai Kung – a proposed development of 24 village houses with a total gross floor area of approximately 50,000 sq.ft. Building work on phase 1 with 4 houses has commenced in July, 2002. Development for other phases will depend on government approval schedule.

Hung Shui Kiu, Yuen Long – a 7-storey residential development project with a total gross floor area of approximately 38,000 sq.ft. The company is currently in the process of applying for land exchange.

Fung Lok Wai, Yuen Long – raw land for residential estate development with a total area of approximately 8,610,000 sq.ft. No definite plan for this development at present. The Group holds 21.66% beneficial interest in this project.

China

California Garden, Shanghai – a residential development with a land area of approximately 14.5 million sq.ft. with an approved built-up area of approximately 12.4 million sq.ft. A total of 2,388 units of residential and commercial development have been built with over 90% sold to date since its first phase development in 1997. Upon completion of the development, California Garden will boost a total of more than 8,500 units with a mixture of residential and commercial properties. This project is expected to contribute significantly to the profitability of the company in the future.

New Time Plaza, Guangzhou – the Group owns 45% of this development comprises of an auxiliary building completed with 8,000 sq.m. and a proposed 29-storey residential tower with a gross floor area of approximately 27,000 sq.m. Construction work is in progress.

Malaysia

With continuing revival of the Malaysian economy, the housing sales have contributed positively to the Group's operation. The Group is still confident that the Malaysian property market remains stable and the demand for medium cost housing will continue to rise.

Karunmas Ehsan – this project consists of a total of 812 units of terrace house, condominium, low cost flats and shop offices. Occupancy Permits for Phase 1 and 2 totaling 426 units of terrace houses have been obtained. Phase 3, comprising 240 units of condominiums, 41 units of shop houses and 105 units of low cost apartment is in the process of completion.

Taman Teluk Gedong Ludah – this project consists of 628 units of terrace houses and 200 units of low cost flats. The project has been substantially completed and is in the process of obtaining occupancy permits.

Australia

Flinder Wharf, Melbourne – the Group owns 50% of this high-class residential development with 301 units located on the Yarra River in the city of Melbourne next to the Melbourne Exhibition and Convention Centre and The Crown Casino. The project has achieved over 90% sold to date. Construction commenced in February 2002 and is scheduled for completion by the 4th quarter of the year 2003.

Hotel Division

Proposed New Addition to the Group – The Group has acquired the ‘old’ New China News Agency Building at Causeway Bay during this reviewing period and has obtained from the Building Department in early December 2002 the preliminary approval for a hotel plan submission with over 450 rooms. The Group has commenced the refurbishment work to date to expedite the completion of this 4-star hotel program and be ready for operation by the third quarter in 2003.

Dorsett Garden Hotel and Dorsett Seaview Hotel – the Group operates two 3-star hotels in Hong Kong with a total of 368 rooms. The two hotels maintain an average occupancy rate of well over 90% for the period under review and provide a steady income to the Group.

Dorsett Regency Hotel, Kuala Lumpur – this 320 rooms hotel is located right at the Central Business District of the busy Kuala Lumpur. The hotel continues to perform well with an annual average occupancy rate of 82% for the period under review, maintaining its status as one of the top performing 4-star hotel in Kuala Lumpur.

Kau U Fong, Central – a hotel development site for approximately 167 rooms in a 34-storey building with a total gross floor area of approximately 63,000 sq.ft. Building plans have been submitted for government approval. Completion date for this hotel is scheduled for late 2004.

Anchor Street, Tai Kok Tsui – a 21-storey hotel development with approximately 137 rooms with a gross floor area of 46,000 sq.ft. With the town planning application approved, construction has commenced in November 2002.

Dallas Grand Hotel, Dallas, USA – after the 911 event in the USA, the Group has decided to tie up this hotel with an international ‘Brand’ and is currently reviewing the franchise arrangement with the prospective Brand. The refurbishment and upgrading program of this hotel will commence when the franchise agreement is finalised.

Industrial Infrastructure Division

The boiler factory in Guangzhou had a moderate performance. The Board believes that the operation of the boiler factory will gradually improve.

The Company has completed construction of a 68% interest in the 44km of the National Highway 311 in Henan Province which has been fully operational since January 2001 with two-ways toll road collections. This investment yields a good return for the Group for the period under review.

Recurrent Income

The Group's rental income comes mainly from four commercial/office buildings in Hong Kong.

The occupancy rate of leased tenants maintains at an average of approximately 90% during this review period.

Corporate Overview

The Group is continually optimistic in the property development business in Hong Kong. This has been reinforced by the recently announced "nine stimulus" measures by the government to stabilize the local residential property market and reviving public confidence in this sector of economy. These measures aimed to minimise the government's intervention to give way to a market-driven housing policy. With this determination, coupled with the current low interest rate, the steady population growth as a result of easing off of Chinese visitor permits from mainland are all positive attributes to a healthier long-term outlook for residential property market.

With the liberalisation of house mortgage laws and the modernisation of consumer banking practices in China, the residential housing market has shown substantial growth for the past two years. The residential property market will be further enhanced by the inflow of foreign workers and professionals in various sectors taking up employment and residence in the major cities like Beijing, Tianjin, Shanghai and Guangzhou in the aftermath of China's entry in the World Trade Organisation where all these cities have been upgrading themselves to meet with this new challenge. This will be particularly significant for Beijing and Shanghai where they will be hosting the 2008 Beijing Olympics and 2010 Expo in Shanghai. We have been fortunate to have a strong and active presence in Shanghai with our California Garden development.

FINANCIAL RESOURCES AND LIQUIDITY

Borrowings 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\$1,341 million as at 30th September, 2002 (31/3/2002: HK\$1,209 million), in which HK\$407 million was payable within one year and HK\$934 million was payable after one year. HK\$1,231 million of the borrowings was secured while the remaining HK\$110 million was unsecured. The Group's borrowings are primarily denominated in Hong Kong dollars.

In May 2002, the Group entered into a syndicated loan agreement with four banks in the amount of US\$20,000,000 for a term of five years for general working capital purpose.

During this period under review, a total amount of HK\$12 million was paid to a third party for its partial redemption of transferable promissory notes with total amount in aggregate of HK\$108 million issued on 28th February, 2002 by Far East Consortium International Limited for settlement of an acquisition of an interest in a parcel of land at Fung Lok Wai in Yuen Long, New Territories under the Mutual Luck Agreement as approved by the independent shareholders at an extraordinary general meeting of shareholders on 26th April, 2001. The transferable promissory notes carry interest at 5% per annum of which HK\$48 million be repayable on 27th February, 2005 and HK\$60 million be repayable on 30th May, 2005.

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

Contingencies and commitments

Contingencies

At the reporting date, contingent liabilities of the Groups were as follows:

	30/9/2002 (unaudited) HK\$'000	31/3/2002 (audited) HK\$'000
(a) Guarantee issued to secured banking and other facilities made available to		
- third parties	-	11,000
- an investee company	44,793	44,793
(b) The Group has given guarantee in respect of mortgage loans provided to the home buyers of a property project in PRC. At 30th September, 2002, the total amount of mortgages outstanding which are subject to these guarantees was HK\$5 million (31/3/2002: HK\$27 million).		
(c) The Group has given rental guarantee to a third party for the properties situated in Australia. At 30th September, 2002, the total amount of these guarantees was HK\$10.3 million (31/3/2002: HK\$10.6 million).		

- (d) The Inland Revenue Department has raised additional estimated assessments against the Group for the year of assessment 1995/96, requesting total tax payment of HK\$2.8 million (31/3/2002: HK\$2.8 million). Regarding this tax dispute, the potential tax liability to the Group is amounting to HK\$11 million of 1995/96 to 2000/2001. The Group intends to contest the case vigorously. While the outcome of this dispute cannot at present be estimated with certainty, the directors are of the opinion that the outcome of this case would not have a material impact on the financial position of the Group at 30th September, 2002.
- (e) During the period, the Company's subsidiary was sued by a contractor working for it to develop Phase III of Chingchu California Gardens. The contractor alleges that the Company's subsidiary owes it approximately HK\$14 million for work performed. Of this amount, approximately HK\$3.8 million related to work encompassed by the construction contract which has not been paid by the Company's subsidiary, which has been recorded as a liability in the accompanying financial statements as of 30th September, 2002. The remaining HK\$10 million relates to additional construction work performed has not been provided in the financial statement. However, the Company's subsidiary filed a counter-claim seeking approximately HK\$10 million (31/3/2002: HK\$10 million) from the contractor, asserting that it failed to comply with certain specifications of the construction contract and sought damages for the contractor's delay in completing the project. Both the contractor's claim and the Company's subsidiary counter-claim are pending in a PRC court, which is expected to be heard by the end of the calendar year 2002. In the meantime, the PRC court has ordered that certain assets amounted to HK\$1.7 million of the Company's subsidiary be frozen. The ultimate outcome of these matters is uncertain.

Commitments

At the balance sheet date:

- (a) the Group had capital expenditure contracted for but not provided in the financial statements on property development expenditure of approximately HK\$304 million (31/3/2002: HK\$260 million); and
- (b) the Group had capital expenditure authorised but not yet contracted for additional expenditure on a property development project in Shanghai of approximately HK\$173 million (31/3/2002: HK\$217 million).

Gearing ratio

The gearing ratio (total bank and other borrowings to shareholders' equity) was increased to 54% (30/9/2002) from 50% (31/3/2002).

Current ratio

The current ratio as at 30th September, 2002 was 1 (31/3/2002: 1). The Group has maintained sufficient liquid assets to finance its operation.

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 properties and bank deposits with an aggregate net book value of approximately HK\$1,667 million (31/3/2002: HK\$1,702 million) together with the properties of associates and third parties were mortgaged or pledged to the Group's bankers and loan creditors to secure banking and loan facilities to the Group and its associates to the extent of approximately HK\$1,404 million and HK\$5 million (31/3/2002: HK\$1,390 million and HK\$5 million) respectively.

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.

EMPLOYEE AND REMUNERATION POLICIES

The number of employees of the Group as at 30th September, 2002 was approximately 1,500.

Employees were remunerated according to nature of the job and market conditions. The Group has not adopted any training scheme for the employees during the interim period.

The Company had adopted a new share option scheme on 28th August, 2002 in line with the amended Chapter 17 (Share Option Scheme) of 1st September, 2001 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

On behalf of the Board

DAVID CHIU

Deputy Chairman and Chief Executive Officer

Hong Kong, 20th December, 2002