

# 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