



FAR EAST TECHNOLOGY INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

Website: <http://www.fet.com.hk>
(Stock Code: 36)

FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2003

RESULTS

The Board of Directors of Far East Technology International Limited (the "Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2003 together with the comparative figures for the corresponding period in 2002 are set out as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2003

		Year ended 31st December,	
		2003	2002
		HK\$	HK\$
	Notes		(Restated)
Turnover	2	84,678,252	89,843,403
Cost of sales		(71,313,072)	(64,699,453)
Gross profit		13,365,180	25,143,950
Other operating income		3,160,200	3,888,011
Distribution costs		(552,814)	(574,295)
Administrative expenses		(6,301,300)	(23,760,040)
Other operating expenses		(1,352,895)	(10,389,926)
Unrealised holding gain (loss) on listed other investments		6,239,799	(1,453,041)
Profit on disposal of listed investment securities		5,275,613	—
Impairment loss on investment securities reversed (recognised)		3,089,978	(30,358,368)
Impairment loss on property, plant and equipment reversed (recognised)		654,354	(24,751,626)
Deficit on revaluation of investment properties		(45,451,938)	—
Loss from operations		(21,873,823)	(62,255,335)
Finance costs		(5,693,260)	(14,722,776)
Impairment loss on interest in leisure-entertainment complex		(68,499,999)	(68,500,000)
Loss on disposal of discontinued operations		—	(46,817,276)
Profit on deemed disposal of an associate		3,278,482	—
Share of results of an associate		7,692,350	6,776,638
Share of results of a jointly controlled entity		7,500	824,047
Loss before taxation		(85,088,750)	(184,694,702)
Taxation	3	2,691,694	5,386,729
Loss before minority interests		(82,397,056)	(179,307,973)
Minority interests		(2,362,852)	66,433
Loss for the year		(84,759,908)	(179,241,540)
Loss per share			
Basic	4	(25.6 cents)	(54.0 cents)

Notes:

1. Basis of presentation and comparative figure

The audited financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants.

In the current year, the Group had adopted, for the first time, Statements of Standard Accounting Practice ("SSAP") No. 12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those time differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) 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 financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has had no material effect on the result for the current or prior accounting periods and, accordingly, no prior period adjustment has been required.

2. Turnover and segment information

Business segments

For management purposes, the Group is currently organised into four operating divisions – securities investment and trading, property development and investment, entertainment and leisure, and industrial. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Securities investment and trading	– investment and trading in securities.
Property development and investment	– properties development, investment and sale.
Entertainment and leisure	– operation of golf resort complex, restaurant and amusement park.
Industrial	– manufacturing and sales of garments and commodity concrete.

Segment information about these businesses is presented below.

2003

	Securities investment and trading HK\$	Property development and investment HK\$	Entertainment and leisure HK\$	Industrial HK\$	Consolidated HK\$
TURNOVER					
External sales	<u>1,379,377</u>	<u>8,926,389</u>	<u>204,661</u>	<u>74,167,825</u>	<u>84,678,252</u>
RESULTS					
Segment results	<u>8,352,227</u>	<u>(41,939,353)</u>	<u>(64,734,288)</u>	<u>4,787,392</u>	<u>(93,534,022)</u>
Other operating income	83,902	68,746	1,436,094	1,571,458	<u>3,160,200</u>
Loss from operations after impairment loss on interest in leisure-entertainment complex					(90,373,822)
Finance costs					(5,693,260)
Profit on deemed disposal of an associate					3,278,482
Share of results of an associate					7,692,350
Share of results of a jointly controlled entity					7,500
Loss before taxation					(85,088,750)
Taxation					<u>2,691,694</u>
Loss before minority interests					<u>(82,397,056)</u>

2002

	Securities investment and trading HK\$	Property development and investment HK\$	Entertainment and leisure HK\$	Industrial HK\$	Consolidated HK\$ (Restated)
TURNOVER					
External sales	<u>4,994,946</u>	<u>11,914,881</u>	<u>14,342,940</u>	<u>58,590,636</u>	<u>89,843,403</u>
RESULT					
Segment results	<u>(34,196,352)</u>	<u>5,691,579</u>	<u>(107,268,315)</u>	<u>1,129,742</u>	<u>(134,643,346)</u>
Other operating income	85,252	40,224	3,517,432	245,103	<u>3,888,011</u>
Loss from operations after impairment loss on interest in leisure-entertainment complex					(130,755,335)
Loss on disposal of discontinued operations	–	–	(46,817,276)	–	(46,817,276)
Finance costs					(14,722,776)
Share of results of an associate					6,776,638
Share of results of a jointly controlled entity					824,047
Loss before taxation					(184,694,702)
Taxation					<u>5,386,729</u>
Loss before minority interests					<u>(179,307,973)</u>

Geographical segments

The Group's operations are located in Hong Kong, PRC, Singapore and Malaysia.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2003 HK\$	2002 HK\$ (Restated)
Hong Kong	16,791,262	15,119,469
Malaysia	–	11,149,635
Singapore	7,294,512	12,491,497
PRC, excluding Hong Kong	30,615,590	20,150,893
Japan	29,976,888	30,931,909
	<u>84,678,252</u>	<u>89,843,403</u>

3. Taxation

	2003 HK\$	2002 HK\$
Current tax:		
Other jurisdictions	367,680	722,337
(Over)underprovision in prior years:		
Hong Kong	(3,924,607)	(6,000,000)
Other jurisdictions	98,047	28,974
	<u>(3,458,880)</u>	<u>(5,248,689)</u>
Deferred taxation	–	(138,040)
Taxation attributable to the Company and its subsidiaries	<u>(3,458,880)</u>	<u>(5,386,729)</u>
Share of taxation attributable to an associate	767,186	–
	<u>(2,691,694)</u>	<u>(5,386,729)</u>

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and the subsidiaries incurred tax losses in both years.

4. Loss per share

The calculation of basic loss per share is based on the loss for the year of HK\$84,759,908 (2002: HK\$179,241,540) and on 331,668,905 (2002: 331,668,905) ordinary shares in issue during the year.

DIVIDENDS

No interim dividend was paid during the year and no final dividend was recommended by the directors.

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\$150 million as at 31st December, 2003 (31/12/2002: HK\$153.7 million), in which HK\$141.4 million (31/12/2002: HK\$146.2 million) was payable within one year and HK\$8.6 million (31/12/2002: HK\$7.5 million) was payable after one year. HK\$150 million (31/12/2002: HK\$150.6 million) of the borrowings was secured and nil (31/12/2002: HK\$3.1 million) was unsecured. The Group's borrowing are 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 31st December, 2003 was 205% (31/12/2002: 99%).

Current ratio

The current ratio as at 31st December, 2003 was 0.31 (31/12/2002: 0.25).

Exchange rate

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

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\$199.4 million (31/12/2002: HK\$233.4 million) together with the properties of the Company and its 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\$182.3 million (31/12/2002: HK\$189.6 million) and HK\$118.8 million (31/12/2002: HK\$115.5 million) respectively.

Contingent liabilities and capital commitments

At the reporting date, contingent liabilities of the Company regarding guarantees given to bank in respect of banking facilities utilised by subsidiaries were approximately HK\$123 million (31/12/2002: HK\$131 million).

At the reporting date, capital commitments of the Company contracted but not provided for in the financial statements in respect of capital contribution to a subsidiary were approximately HK\$9.7 (31/12/2002: 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 disposal of their entire interests in Tang City Properties Pte Ltd to a wholly-owned subsidiary of Far East Consortium International Limited.

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

BUSINESS REVIEW AND PROSPECTS

During the year of 2003, the Group had continued its restructuring by disposal of non-core assets. With the closure of Rainforest Cafe in Singapore and the disposal of the Seremban Golf Resort in Malaysia and Parkway Builders office building in Singapore, the Group had greatly reduced its operating losses and gearing ratio. With the sale of these assets and the provisions made for Tang Dynasty City, it means the Group had overloaded all its investments in South East Asia and shifted its focus to investments opportunities in China.

With the successful listing of ChinaSoft International Limited on the GEM board of the Hong Kong Stock Exchange on the first half of 2003, the Group will continue to look for investment opportunities in China in the future.

On the industrial side, Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited recorded satisfactory results with the sales increased by 10%. With most of its products being exported to Japan, orders on hand will remain steady for 2004.

Suzhou Goldtract had recorded increased revenues compared with last year with strong demand for cement in the area and return to profit.

In conclusion, the Group had achieved to greatly reduce its gearing ratio from 205% to 43% after selling of its assets in South East Asia, especially after the disposal of Parkway Builders which was completed in February 2004. This will bring the total borrowings down to HK\$31.3 million from previously HK\$150 million and increase current ratio from 0.31 to 0.71. Together with the provisions made for the Tang Dynasty City, it means that the Group had reduced its investments holdings in South East Asia to minimum level. Also, the Group had streamlined its business divisions and looked to exit from its entertainment investment and focus on investment in China.

EMPLOYEE AND REMUNERATION POLICIES

The number of employee of the Group as at 31st December, 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 year.

PURCHASE, SALE AND REDEMPTION OF LISTING SECURITIES

During the year under review, the Company and its subsidiary have not purchased, sold or redeemed any of the securities in the Company.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises executive directors namely Mr. Deacon Te Ken Chiu, Mr. Duncan Chiu, Mr. Dennis Chiu; non-executives directors namely Dato' David Chiu, Mr. Daniel Tat Jung Chiu, Mr. Derek Chiu, Mr. Desmond Chiu, Ms. Margaret Chiu and independent non-executive directors namely Mr. Chi Man Ma and Mr. Siu Hong Chow.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

A detailed annual results containing the information required by paragraph 45 (1) to (3) of Appendix 16 to the Listing Rules will be released on the website of The Stock Exchange of Hong Kong Limited in due course.

On behalf of the Board

DUNCAN CHIU

Managing Director and Chief Executive Officer

Hong Kong, 21st April, 2004

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Far East Technology International Limited (the “Company”) will be held at the Penthouse, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong on Friday, 28th May, 2004 at 3:00 p.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31st December, 2003.
2. To re-elect Directors and to fix their remuneration.
3. To re-appoint Auditors and to authorise the Directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass with or without modification, the following resolution as an Ordinary Resolution:

“THAT:

- (a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to a Rights Issue (as hereinafter defined), shall not in aggregate exceed 20% of the aggregate nominal amount of share capital of the Company in issue as at the date of passing this Resolution; and
- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the members of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to the holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

5. As special business, to consider and, if thought fit, pass with or without modification, the following resolutions as Special Resolutions:

“THAT the Articles of Association of the Company be and are hereby amended in the following manner:

(I) Article 2

- (i) By adding the following definitions after the definition of “The Ordinance”:

“Listing Rules” shall mean the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time.

“Exchange” shall mean The Stock Exchange of Hong Kong Limited as amended from time to time.

- (ii) By adding the following definition after the definition of “The Board”:

“associate” shall have the meaning ascribed to it under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

- (iii) By adding the following definition after the definition of “the Register”:

“clearing house” shall mean a recognized clearing house as defined under Schedule 1 to the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) as amended from time to time.

(II) By deleting the existing Article 10 and substituting the following:

“10 (i) Every Member shall be entitled without payment to one certificate under the Seal of the Company, specifying the shares held by him and the amount paid up thereon. Such certificate shall be delivered to the Member within two months after the allotment of such shares.

(ii) That fully-paid shares shall be free from any restriction on the right of transfer (except when permitted by the Exchange) and shall also be free from all lien.”

(III) By adding the following Article as Article 61A after the existing Article 61:

“61A. Where any Member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.”

(IV) By deleting the last two words of “so authorised” of Article 65 and substituting therefor with the words of “duly authorised”;

(V) By deleting the existing Article 65A and substituting the following:

“65A If a clearing house or a nominee of clearing house is a member of the Company, it may authorise such person or persons as it thinks fit to act as its representative or representatives at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person so authorised under the provision of these Articles shall be entitled to exercise the same powers on behalf of the clearing house (or its nominee) which he represents as the clearing house (or its nominee) could exercise if it were an individual member of the Company.

(VI) By deleting the Article 74(b) in its entirety and substituting therefor the following:

“(b) Notwithstanding such disclosure is made in Article 74(a), a Director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting, but this prohibition shall not apply to:

- (1) the giving of any security or indemnity either:
 - (a) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
 - (b) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (2) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (3) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;
- (4) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:
 - (a) the adoption, modification or operation of any employees’ share scheme or any share incentive or share option scheme under which the Director or his associate(s) may benefit; or
 - (b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his associate(s) as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (5) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.”

(VII) By deleting the words “the latest date for lodgement of such notices will be not more than seven days prior to the date of the Meeting appointed for such election” in Article 81 (b) and substituting the following:

“the period for lodgement of the notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting.”

(VIII) By adding the following paragraph after the existing paragraph in Article 84:

“That any person appointed by the directors to fill a casual vacancy on or as an addition to the board shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election.

(IX) By deleting the word “Special” on the first line of Article 86 and substituting the word “Ordinary”.

“**THAT** the words “the Colony of” wherever appear before the words “Hong Kong” in the Memorandum and Articles of Association of the Company be deleted.”

By Order of the Board
Kwok Wor Chow
Company Secretary

Hong Kong, 21st April, 2004

Notes:

- (1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company.
- (2) In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the registered office of the Company at 16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- (3) The Special Resolutions as set out in item 5 of this notice are proposed mainly to amend the Articles of Association of the Company to ensure compliance with the recent amendments to the Listing Rules.
- (4) As at the date of this announcement, the Board of Directors of the Company comprises executive directors namely Mr. Deacon Te Ken Chiu, Mr. Duncan Chiu, Mr. Dennis Chiu; non-executive directors namely Dato’ David Chiu, Mr. Daniel Tat Jung Chiu, Mr. Derek Chiu, Mr. Desmond Chiu, Ms. Margaret Chiu and independent non-executive directors namely Mr. Chi Man Ma and Mr. Siu Hong Chow.

Please also refer to the published version of this announcement in The Standard.